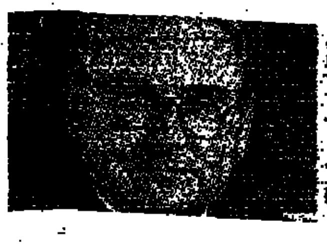

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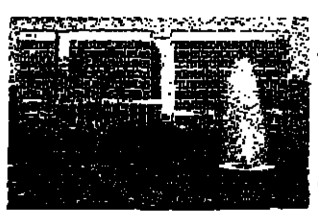

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FINANCIAL TIMES

Europe's Business Newspaper

THURSDAY JULY 1 1993

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China moves to cut overheating in the economy

China is poised to clamp down on its overheating economy amid reports that Li Guixian, its central bank governor has been sacked for failing to impose order on a chaotic financial sector.

A Beijing-affiliated newspaper in Hong Kong reported that Zhu Rongji, senior vice-premier, would have his responsibilities extended to include supervision of the People's Bank, with the task of enforcing tougher credit curbs. Page 4

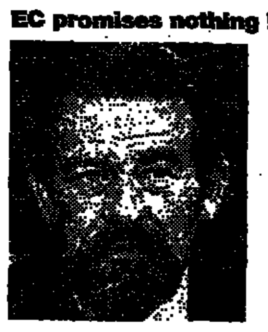
Pound rises as German rate cut speculation increases

Institutional buying especially from Japanese investors pushed the pound yesterday to DM2.555, its highest level against the D-Mark since last September's devaluation. Profit-taking later brought it down to a close in London of DM2.545, unchanged from Tuesday night. Against the dollar the pound fell back by nearly 1 cent, closing at $1.4935. The D-Mark was weakened by speculation that the Bundesbank might cut interest rates at today's council meeting after the Bonn coalition's DM25bn ($14.7bn) savings package was hailed yesterday as a signal for the cutting of key rates. Page 2

Governor optimistic: Britain has the potential for an economic recovery that could continue through the rest of this decade, according to Eddie George, the new governor of the Bank of England. Page 18; Steady hand at the helm, Page 17

Trade accord blocked: US-Mexican relations were jeopardised after a US federal court ruling which effectively blocks approval of the North American Free Trade Agreement this year. Page 18

EC promises nothing but the truth



Information provided by the European Commission will from now on consist of "the truth, the whole truth, and nothing but the truth", pledged Joao de Deus Pinheiro (left), commissioner for internal political relations, announcing Brussels' new strategy of openness. The measure is intended to clean up the image of the EC in general and the Commission in particular. Page 2

Threat to Greek administration: Greece's former foreign minister, Antonis Samaras, launched a new political party, throwing the stability of prime minister Constantine Mitsotakis's government into doubt.

IMF loan to Russia: The International Monetary Fund is due today to approve a new $1.5bn loan to Russia after extracting further market reform steps from the Russian authorities. Page 3; Call for 'trade not aid' treatment, Page 4

Nuclear test ban set to stay: President Bill Clinton is expected to extend the US moratorium on nuclear testing, bowing to opposition from Congress to any further such tests. Page 5; Uranium process goes independent, Page 5

Anti-terror cordon: An anti-terrorist security cordon is to be enforced around the City, London's financial quarter, in a bid to frustrate bomb threats in the capital. Page 8

Rohm, Japanese semiconductor maker, said its US subsidiary would claim royalties from Intel, world's largest chipmaker, and other leading manufacturers of "flash memory" chips, following a court ruling reaffirming a Rohm patent. Page 30

Bosnian Croat call-up ordered: Bosnian Croat commanders ordered a general mobilisation as their troops tried to push back Moslem forces from Mostar. Page 3; UN poised to extend peace-keeping operations, Page 3

Strong man set to take over: Surat Husseinov, the man whose private army forced the elected president of Azerbaijan to flee his post, was named prime minister and "supreme commander" of the Caucasian republic. Page 3

Ferruzzi Finanziaria, the Italian holding company saddled with total borrowings of over L31,000bn ($20.16bn), is expected to launch a big rights issue to recapitalise its shaky finances after a special shareholders' meeting planned for August 31. Page 19

Tax fraudster jailed: Michael Hunt, the managing director of Nissan UK, the former West Sussex-based car importer, was jailed for eight years for his part in Britain's largest ever tax fraud. Page 8

■ STOCK MARKET INDICES		
FT-SE 100:	2900.0	(+14.0)
Yield	3.96	
FT-SE Eurotrack 100	1288.99	(+1.02)
FT-A All-Share	1432.31	(+0.4%)
Nikkei	19,590.90	(+46.58)
New York lunchtime		
Dow Jones Ind Ave	3515.25	(-3.60)
S&P Composite	450.61	(-0.08)
■ US LUNCHTIME RATES		
Federal Funds:	3⅛%	
3-mo Treas Bills: Yld	3.085%	
Long Bond	105½	
Yield	6.704	
■ LONDON MONEY		
3-mo Interbank	5½%	(same)
Liffe long gilt future:	Jun 107⅞	(Jun 106⅞)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Aug)	$17.84	(17.72)
■ Gold		
New York Comex (Aug)	$378.2	(379.5)
London	$378.25	(376.75)

■ STERLING		
New York lunchtime:		
$	1.4945	
London:		
$	1.4935	(1.504)
DM	2.545	(same)
FFr	8.58	(8.5775)
SFr	2.255	(2.2575)
Y	159.5	(161.0)
£ Index	80.6	(80.8)
■ DOLLAR		
New York lunchtime:		
DM	1.70405	
FFr	5.74375	
SFr	1.5115	
Y	106.45	
London:		
DM	1.7045	(1.692)
FFr	5.745	(5.7025)
SFr	1.5105	(1.501)
Y	106.75	(107.1)
$ Index	65.2	(65.1)
Tokyo close Y 106.51		

Austria	Sch30	Germany	DM3.30	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Greece	Dr300	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr60	Hungary	Ft172	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25.00	Iceland	IKr215	Neth	Fl 3.75	Slovak Rp	KSL45
Croatia	HRD5700	India	Rs40	Nigeria	Naira45	Slovenia	SLT220
Cyprus	C£1.00	Israel	Shk5.90	Norway	NKr16.00	Spain	Pta210
Czech Rp	Kcs45	Italy	L2700	Oman	OR1.50	Sweden	SKr15
Denmark	DKr15	Jordan	JD1.50	Pakistan	Rs35	Switz	SFr3.20
Egypt	E£4.50	Korea	Won 2500	Philippines	Pso45	Syria	S£50.00
Finland	FM12	Kuwait	Fils.600	Poland	Zl 22,000	Tunisia	Din1.250
France	FFr9.00	Lebanon	US$1.25	Portugal	Es215	Turkey	L8000
						UAE	Dh11.00

Pinault lays down $121m for his favourite wine

By Alice Rawsthorn in Paris and Philip Rawstorne in London

MR François Pinault, the ambitious French industrialist, has bought Château Latour, one of the grandest of Bordeaux's grands crus, from Allied-Lyons, the UK food and drinks group, for FFr690m ($121m).

The deal returns the vineyard to French ownership after 30 years in British hands. It fits neatly into Mr Pinault's ambitions to endear himself to the French business establishment.

He made the acquisition through Artemis, the company through which his family controls the Pinault-Printemps retailing group. Artemis also has a number of industrial investments and substantial junk bond portfolio bought late last year from Crédit Lyonnais, the French banking group which is one of Pinault-Printemps' main advisers.

Mr Pinault, 56, regards the purchase as "a good, long-term investment", an aide said yesterday. "Besides, it's his favourite wine. What better reason could there be for buying it?" she added.

He is one of the new breed of French entrepreneurs including Mr Bernard Arnault, chairman of the LVMH luxury goods group, and Mr Bernard Tapie, the flamboyant businessman and politician, who came to the fore in the late 1980s by importing Anglo-Saxon corporate tactics into the staid world of French industry.

Outside his business interests Mr Pinault has styled himself as a patron of the arts, recently commissioning a huge sculpture for his country home from Mr Richard Serra, the avant garde US artist.

The Pinault group expanded rapidly in the 1980s, from its original base as a small Breton-based timber business, into one of the leading operators in French retailing with turnover of FFr70bn last year.

Mr Pinault's deals culminated 18 months ago with a FFr5.3bn partial bid for Au Printemps, one of France's most famous department store chains. The bid provoked a protest from Au Printemps' minority shareholders and sparked an official review of French takeover law.

Mr Pinault won the bid, but Pinault-Printemps has since been burdened by heavy debts, estimated at around FFr19bn. It has since been trying to raise capital by selling assets and peripheral businesses, including the Pinault family's old timber interests.

Château-Latour – once described by Mr Michael Jackaman, Allied-Lyons' chairman, as the "ultimate brand" – was put on the market late last year. The decision reflected a change in management strategy after the UK group's

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Move on Quantum marks conglomerate's return to acquisition trail

Hanson launches $3.2bn bid for US chemicals group

By Maggie Urry in London

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Hanson's gamble .... Page 19
Restructuring call .... Page 28

HANSON, the Anglo-American conglomerate, yesterday launched an agreed $3.2bn bid for Quantum Chemical Corporation of the US. The price includes $720m for Quantum's share capital plus the assumption of Quantum's $2.5bn of debt.

Quantum, formed in 1987 from National Distillers & Chemical after it sold its wine and liquor business, and refinanced with heavy borrowings in 1988, is the leading US manufacturer of polyethylene, a plastic used in packaging, and products such as toys and automotive components. It is the second-largest retail supplier of propane gas.

The bid marks Hanson's return to the acquisition trail after its failed £780m bid for Ranks Hovis McDougall, the UK food company, launched in October. Hanson was beaten when rival UK conglomerate Tomkins topped its offer. It also follows Hanson's purchase of a 2.8 per cent stake in Imperial Chemical Industries in 1991 which, despite fierce speculation, never led to a bid.

It illustrates the changing style of Hanson's acquisitions. Lord Hanson, chairman, said: "Hanson's objective for the 1990s is to build up its major businesses, while being prepared to make major acquisitions when the opportunity presents itself. Quantum fits this perfectly."

Mr Derek Bonham, Hanson's chief executive, said he expected the acquisition would make "a positive contribution to Hanson earnings in 1993-94."

Quantum's profits have slumped in recent years as overcapacity has hit polyethylene prices. Lord Hanson said the deal had been struck "near the bottom of this industry's cycle".

Mr David Clarke, chief executive officer of Hanson Industries, the conglomerate's US arm, said a small increase in prices would have a large impact on profits. He said it was this kind of "earnings leverage we at Hanson strive to look for". In 1988, the peak of the last cycle, Quantum's operating income was $759.8m, but in 1992 this fell to $61.4m. Quantum has also been burdened with heavy debt. Interest charges have pushed Quantum into losses in 1991 and 1992 and it has a balance sheet deficit of $471.1m.

Hanson is offering 1.176 of its ADRs, which each represent five ordinary shares, for each Quantum share. That values the target's equity at $20 a share or at $720m in all. The share offer would add 4 per cent to Hanson's share capital.

Quantum's management has agreed not to solicit a rival offer, nor to accept such a bid unless their fiduciary duties require them to do so.

Quantum is paying interest rates of more than 10 per cent on its debt while Hanson pays about 5 per cent on its US borrowings. Hanson could thus save $125m a year in interest charges alone. Hanson also plans to continue cost-cutting programmes already instituted.

Hanson hopes to complete the deal by September 30, its financial year end. If it goes through on these terms, Hanson's net debt would rise to about 80 per cent of shareholders' funds, Mr Bonham said, in part because there would be a significant goodwill write-off associated with the purchase. At the end of the 1992 financial year Hanson's gearing was 18 per cent.

Stockbrokers likened the bid to Hanson's purchase of Beazer, the UK-US building company, in December 1991. That too was highly geared and offered scope for cost cutting.

Hanson shares responded with a 4p rise to a London close of 226¼p. Quantum's shares rose from $12½ to $19 at midday.

Trevor Humphries

Lord Hanson expects Quantum Chemical to make a positive contribution to Hanson's earnings in 1993-94

Agnelli confirms Fiat paid political bribes

By Robert Graham in Turin

MR Giovanni Agnelli, the chairman of Fiat, yesterday confirmed for the first time in public that Italy's largest private group had paid L50bn ($32.5m) in bribes to politicians and their intermediaries over the past 10 years.

He was also forced to defend the conduct of Fiat in paying bribes before a marathon five-hour annual meeting of the group and at a subsequent press conference.

Mr Agnelli also disclosed that Fiat planned to raise up to L3,000bn this year in asset sales to offset the cost of rising debt and the prospect of a 1993 operating loss close to L1,000bn.

The details of the bribes are in the as yet unpublished accounts, but Mr Agnelli assured shareholders: "The total amount paid out in (illicit) contributions to political parties over a decade by the managers of Fiat group companies involved have had no significant repercussions on the profits of the group in any one year."

Mr Agnelli said there was no case of accounts having been falsified because the amounts were minimal in relation to assets, although some accounting adjustments had been made.

But he insisted "at consolidated level, we feel that the amount of these payments in no

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Agnelli maps out route for disposals, Page 20

Date fixed to end passport controls within most of EC

By Andrew Hill in Madrid

NINE MEMBERS of the European Community agreed yesterday to abolish formal passport controls at all internal frontiers by December 1.

From that date, travellers between Germany, France, Italy, Spain, Portugal, Greece and the Benelux countries will be able to pass freely across internal borders, including ports and airports.

Travellers from Britain, Ireland and Denmark will still be subject to the same immigration checks as other international travellers arriving in the free-travel zone.

The deal, if it can be put into effect, will put pressure on Britain – which strongly opposes removing all passport checks – Ireland and Denmark to speed up their efforts to reduce controls.

Meeting in Madrid, ministers from the nine signatories of the Schengen free-travel accord agreed to give practical effect to the EC's aim of free movement of people. Politically, it has proved the most sensitive aspect of the single European market, which already allows free movement of most goods, services and capital within the EC.

The Schengen group is named after the Luxembourg town where a regional agreement to open frontiers was reached in 1985.

Mr Carlos Westendorp, the Spanish EC affairs minister, who chaired yesterday's meeting, said the deal was "good news for Europe at exactly the moment when we need some good news".

Yesterday's political declaration is subject, however, to of conditions, insisted on by the new centre-right French government, which is still worried about the risks involved in allowing free movement of people.

In addition, certain large EC airports – including those serving Amsterdam and Brussels – will be given time to adapt their infrastructure to the new system, which will require splitting immigration and baggage-handling facilities for passengers from Schengen and non-Schengen countries.

The delay means that some controls may be retained beyond December 1.

A special Schengen committee will have to decide in October whether there has been sufficient progress in three key areas to justify opening all internal borders: improved checks on people coming from outside the free travel zone; and action against drug trafficking.

EC pension directive scrapped

By Norma Cohen in London

A LONG-AWAITED EC directive liberalising pension fund investment has in effect been scrapped because some member states believed it went too far towards encouraging investment outside their home markets.

The directive's key elements were rules barring countries from requiring pension funds to hold a minimum of their investments in certain asset categories and allowing up to 40 per cent of assets to be invested in non-domestic currencies.

At a meeting on June 14 of the Internal Market Council of the EC, at which the draft directive was scheduled for approval, members voted to refer the entire matter back to a working party where it hoped a compromise could be reached on its most controversial elements.

"There is a general agreement building up at the Commission that this text is an unhappy one", said Mr Koen de Ryck, permanent representative of the European Federation of Retired Persons, a trade association for Europe's pension funds industry.

The directive had also attracted the opposition of the UK fund management industry which believed that the currency

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CONTENTS

Shocking words upset the EC's oldest family

By Quentin Peel in Bonn and Christopher Parkes in Frankfurt

Testing times for Franco-German alliance

Interest rates: Worried about the effect of high German rates on the French economy, Paris wants the Bundesbank council to cut rates at its meeting today. France has reduced short-term rates eight times since early April, putting its short-term rates below those of Germany's. As a result, further French cuts are becoming more dependent on Bundesbank action.

Bosnia: German Chancellor Helmut Kohl's plea at last week's European Community summit meeting for the possible lifting of the arms embargo against Bosnia-Herzegovina's Moslems took France, as well as other EC countries, by surprise.

ERM: As investors worry about the German economy and France brings down short-term interest rates below German levels, the French franc has attracted solid support on the foreign exchanges, threatening the German mark's anchor function in the ERM.

Bananas: Germany, whose people eat more bananas per head by far than anywhere else in the world, is outraged by the European Community regime to restrict cheap imports. Germany blames above all the French government, which it sees as seeking to defend the interests of its foreign territories and former colonies at the expense of free trade.

Gatt: France, which views the General Agreement on Tariffs and Trade as a vehicle for US trade hegemonism, finds itself at odds with Germany. On the sensitive issue of Gatt-proposed farm trade reform, France is adamant that it cannot accept the deal negotiated by the EC with strong German support.

Telecoms: Germany says that its 1994 trade treaty with the US prevents it from implementing EC trade sanctions against US companies. France, supported by some other EC countries, is incensed and strongly supports the the European Commission's view that Germany is breaching community law.

BARELY 10 days ago, on the eve of the EC summit in Copenhagen, shocking words were spoken in a remote committee room of the German Bundestag.

"Maastricht is dead," was one of the more dramatic expressions. "Social cohesion," alias trade protectionism, was trumpeted as the answer to Europe's economic misery. The negotiations for liberalisation of the Gatt were denounced as dangerous, irrelevant and unnecessary.

The perpetrators of these heresies, for that is how they sounded in the German parliament, were not German parliamentarians, but a dozen leading French deputies. The vehemence of their attack took their German hosts by surprise.

The mood in Paris is certainly causing some concern in Bonn, just as the contrary is no doubt true, that Germany is obsessed with its internal problems of unification. There is tension on the age-old issue of free trade versus protectionism; there is tension over monetary policy, and the determination of the Bundesbank to cut its high interest rates at a tortoise-like pace; there are clear disagreements over policy towards the former Yugoslavia, with Bonn's frustration at its powerlessness self-evident.

And yet, in spite of it all, the Franco-German relationship remains, apparently unperturbed, if just a little anxious. "There are problems like this in every family," says an official of the German Bundesbank.

The official in question was referring to the latest spat between Paris and Bonn sparked by Mr Edmond Alphandéry, the French economics minister. Whether under the influence of post-electoral euphoria, prompted by bare-faced cheek, or demonstrating a remarkable ignorance of German sensitivities, he announced in a radio broadcast on Thursday that he had summoned Mr Theo Waigel, his German counterpart, and Mr Helmut Schlesinger, the president of the Bundesbank, to a meeting in Paris the following day. His purpose was to give the pair a good dressing-down on Germany's high interest rates, and set the guidelines for proper co-ordination of Franco-German monetary policy, he suggested.

When Mr Waigel promptly cancelled the meeting – a routine session of the Franco-German economic and finance council – there was scarcely any surprise in Bonn. For Mr Alphandéry had dared to intrude on the sacred independence of the Bundesbank, and suggest that it could be subjected to political pressure. Mr Waigel dared not be seen as a co-conspirator.

At the highest levels in Bonn, there is understanding for Mr Alphandéry's dilemma. "The French government has to survive an extraordinarily difficult first six months," according to one well-placed official.

"The popular pressures for protectionism, and abandonment of the franc fort, are very real. But if Mr Balladur can get through the first six months, I think relations will be back on an even keel."

There is also nervousness. "Each of these problems individually is manageable," according to a parliamentary foreign affairs specialist. "If they all come up together, then it will be difficult."

Yet there may be less sympathy in the country at large than there is in the corridors of power in Bonn, where relations with Paris are bound by "cords of steel" in the words of a senior diplomat.

One sensitive popular issue is former Yugoslavia, where German sympathies lie overwhelmingly with Croatia, and the Bosnian Moslems, and against the perceived aggression of Serbia.

Perhaps even more explosive is the issue of bananas. France is seen as the prime mover behind another example of EC protectionism, which threatens to force up the price of Germany's cheap banana imports from Latin America by almost 100 per cent, in order to favour expensive fruit from French territories.

"It is to the French we owe these expensive bananas," according to Ms Angelika Völle at the German foreign policy institute.

"That is one issue making public opinion in Germany less positive than that of the political leadership.

"The relationship has become less active, and more reactive.

"We still have to go along with them, but because there is no alternative," Ms Völle said.

Pique in Paris as Germans refuse to cross the Rhine

By David Buchan in Paris

"BEYOND the turbulences of the moment, which are inevitable, the French-German relationship will keep the depth and the permanence which are necessary for both Europe and France." This was the rather portentous way in which Mr Alain Juppé, France's foreign minister, sought yesterday in the National Assembly to soothe anxious questioners about the currently shaky state of the Paris-Bonn axis.

Independent French experts on relations across the Rhine concur in the basic solidity of the alliance. Ms Anne-Marie Le Gloannec of the Centre d'Etudes et Recherches Internationales pointed out yesterday that France and Germany have successfully weathered previous hiccups in their relationship, notably the initial hostile reaction of many French politicians in 1989-90 to the prospect of German unification. But there is clear concern in France at the proliferating pinpricks between Paris and Bonn. "They should not be dramatised, but neither should they be underestimated," said Mr Juppé yesterday. "None of the disagreements are about anything as spectacular as German unification, but the fact that they are so numerous, ranging from monetary policy and Gatt to bananas and waste recycling, makes them harder to manage," commented Ms Le Gloannec.

They are compounded by the fact that the new Balladur government is proving more assertive of French interests than its socialist predecessor. Mr Edmond Alphandéry, the economy minister, carried this too far last week by appearing to summon his German opposite numbers to Paris for talks on "concerted" interest rate cuts, while at the same time claiming that an increasing number of countries seemed to be looking to the Bank of France rather than the Bundesbank for the lead in lowering the cost of money in Europe.

Not surprisingly, the Germans refused to cross the Rhine last week. But the view in Mr Alphandéry's own ministry is that their minister's gaffe does not change "the fundamentals" which remain in France's favour. These are that France has lower inflation, and less depressing prospects for growth and for budget deficits, than Germany's. Therefore, France, like the Netherlands, will be able to keep its short- and medium-term interest rates below those of Germany, and may be able to cut rates a little bit more, independently of whatever the Bundesbank does.

Virtually every minister in the Balladur government believes, or hopes, this will eventually bring recovery in France. The one exception is Mr Alain Madelin, the minister in charge of small business, who in an interview yesterday complained that "the franc's link to the D-Mark imposes a floor on French short-term rates, which can no longer drop significantly below German rates, as France's situation demands". But the maverick Mr Madelin did not go as far as urging publicly any change in the franc/D-Mark parity.

Mr Balladur has not yet struck any close relationship with Chancellor Kohl, whose relationship with President Mitterrand remains closer. It has therefore become essential for the French prime minister that his "cohabitation" with Mr Mitterrand stay as smooth as possible. He is banking strongly on Mr Mitterrand using his influence with Mr Kohl, both at the Tokyo summit next week and later.

Bundesbank given rates signal

By Christopher Parkes in Frankfurt

THE Bonn coalition's DM25bn (£9.8bn) savings package was widely hailed yesterday as a signal for the Bundesbank to resume cutting key interest rates – but there was no agreement on when the first move would come.

Today's meeting of the central bank's policy-making council in Leipzig was considered too early by Mr Rüdiger Pohl, a member of the government's council of economic advisers.

He believed the bank might delay action until the political fate of the contentious package, based on cuts in social spending, was clearer.

Financial market traders were also sceptical, even though the bank early yesterday gave a further downward nudge to the securities repurchase rate, at which it supplies markets with wholesale funds.

A cut from 7.59 to 7.58 per cent – the smallest possible – had been expected and gave no grounds for immediate optimism, one trader said. However, as several observers pointed out, after today's meeting only two more council sessions are scheduled before the long summer break.

Strains in the economy alone pointed to the need for some encouragement from the central bank sometime this month.

Despite the Bundesbank's repeated attempts to talk up the state of the economy, calls are increasing from industry for further rates relief. Mr Tyll Necker, president of the BDI federal industry confederation, said earlier this week that the end of the slump had not been reached and all indicators were still pointing downwards.

Private sector economists have this week downgraded their forecasts and now expect the west German economy to shrink by up to 3 per cent in 1993. The government, too, wants some help to divert further criticism of German fiscal laxity and monetary rigidity expected at next month's summit of the Group of Seven leading industrial nations in Tokyo. Chancellor Helmut Kohl would draw attention to the deficit-reduction package at the talks, Mr Dieter Vogel, the official government spokesman, said.

The planned cuts would help put an end to uncertainty about the stability of the D-Mark, he added, and create conditions for further rate cuts. Reductions in social support would make them a less attractive alternative to working. Deutsche Bank, with especially close links to industry, was among the more bullish proponents of immediate cuts. Mr Axel Siedenberg, an economist in the bank's research division, said he expected at least a quarter-point reduction today in the 7.25 per cent discount and the 8.50 per cent Lombard rates.

He pointed to the expected return of monetary growth to the Bundesbank's target range, a further easing of inflation, and continuing falls in import prices.

Although import prices in May fell 0.3 per cent to stand 3.6 per cent lower than a year earlier, other economists pointed out that the recent rise of the dollar against the D-Mark would quickly push them up again.

Germany defends true symbol of unification

'Ja' we have cheap bananas

By Quentin Peel in Bonn

IF THERE is one true symbol of German unification it should be the beloved banana, they say in the Berlin back-streets.

When east Germany left the grim, fruit-free world of Communist rule and joined the bulging materialism of its western sister state, the most extraordinary change came in the consumption of bananas.

East Germans proceeded to celebrate their new-found freedom by devouring no less than 26kg per head per year, way over the EC average of 11kg per head.

With imports running at 2.4m tonnes a year, Germany is now by far the largest banana-eating nation in the industrialised world. Which is precisely why the new European Community regime to curb cheap imports of so-called "dollar bananas" from Latin America, and favour the dearer and humbler products of the Caribbean and Africa, is a subject of national outrage.

Stickers abound in car windscreens and shop windows, urging fellow citizens in Gothic script to be patriotic and "eat German bananas".

The decision on Tuesday by the European court of justice to reject the German government plea for an injunction to stop the new banana import regime is therefore a new blow to Germany's traditional loyalty to the EC.

It comes on the eve of the oral hearing in Germany's own constitutional court in Karlsruhe on whether the Maastricht treaty on European union is compatible with the German constitution. Some would see it as an ominous reminder that when a real German issue is at stake, devotion to the cause of European integration evaporates.

They point to the famous battle over the German Reinheitsgebot, which demands that all beer brewed in Germany be free from all artificial additives.

And at the heart of the opposition to Maastricht is the ordinary German's devotion to his D-Mark. The Karlsruhe court is unlikely to decide on Maastricht before September. Few Germans will understand the legal niceties. But they all understand the threat to their money, their beer, and their bananas.

Deutsche Telekom plan approved

By Ariane Genillard in Bonn

GERMANY'S main parliamentary groups have given the go-ahead to the plan which will pave the way for the eventual privatisation of Deutsche Telekom, the state-owned telecommunication monopoly.

However, the plan was criticised by the German chamber of commerce and industry, which yesterday said that creating a state-controlled holding company would hinder the international competitiveness of Deutsche Telekom.

The German industry federation was critical, too. Mr Tyll Necker, its president, said "the ability of Deutsche Telekom to go to the stock market will not be secured under the present privatisation plan".

In an internal vote, the parliamentary groups of both the governing parties and the opposition Social Democrats voted for a government plan which will allow Deutsche Telekom to start selling shares on the stock exchange as early as the middle of 1996.

The plan foresees the creation of three separate joint-stock companies for Deutsche Telekom, the postal service and the postal bank. These would operate under a state holding company.

The holding company would retain a 50 per cent stake in Deutsche Telekom as long as the latter has a monopoly in basic telephone services and lines. The majority stake would be relinquished once the European telecoms market is opened up in 1998, as recently agreed by the EC.

Brussels unveils its policy of glasnost

By David Gardner in Brussels

INFORMATION provided by the European Commission will from now on consist of "the truth, the whole truth, and nothing but the truth", pledged Mr Joao de Deus Pinheiró, commissioner for internal political relations, announcing Brussels' long-awaited new strategy of openness.

He hailed the new policy as "a milestone" and "a democratic approach", after which the Commission would present information to the public and the media on demand, speedily and without "techno-babble". The measure is intended to clean up the image of the EC in general, and of the Commission in particular.

All Commission documents would eventually be made available, he said, once a system had been put in place to "distinguish between those which are and aren't" official policy. Draft documents, which reveal the preliminary policy thinking of the EC's quasi-executive, should also be open to scrutiny. *Mindful of the controversy* within the Commission over opening up its workings to public view, Mr Pinheiro warned that "the new policy will only work if it is identified with by everybody".

The commissioners themselves, some of whom are rarely if ever seen in public, would come forward much more regularly to give an account of their work, Mr Pinheiro said. "It's important that there should be full disclosure of the Commission's views."

"People want more information, *better explanations and a* faster service," says the document approved by Brussels yesterday. "What they do not want are propaganda, and platitudes."

Throughout the Commission departments there will now be an official designated to provide information requested by the public and the press. A small strategy group will monitor the overall political coherence of Commission information, while a steering committee based on its information directorate will examine *whether information is* meeting the specific needs of those seeking it.

In addition, feedback should come from an external users' advisory council, made up of business, trade unions, the professions, civic groups and the press.

Although the Commission has now made its move, the Community's council of ministers has still to make up its mind on the possibility of freedom of information rules, allowing the public access to all EC documents on the US or *Scandinavian model.*

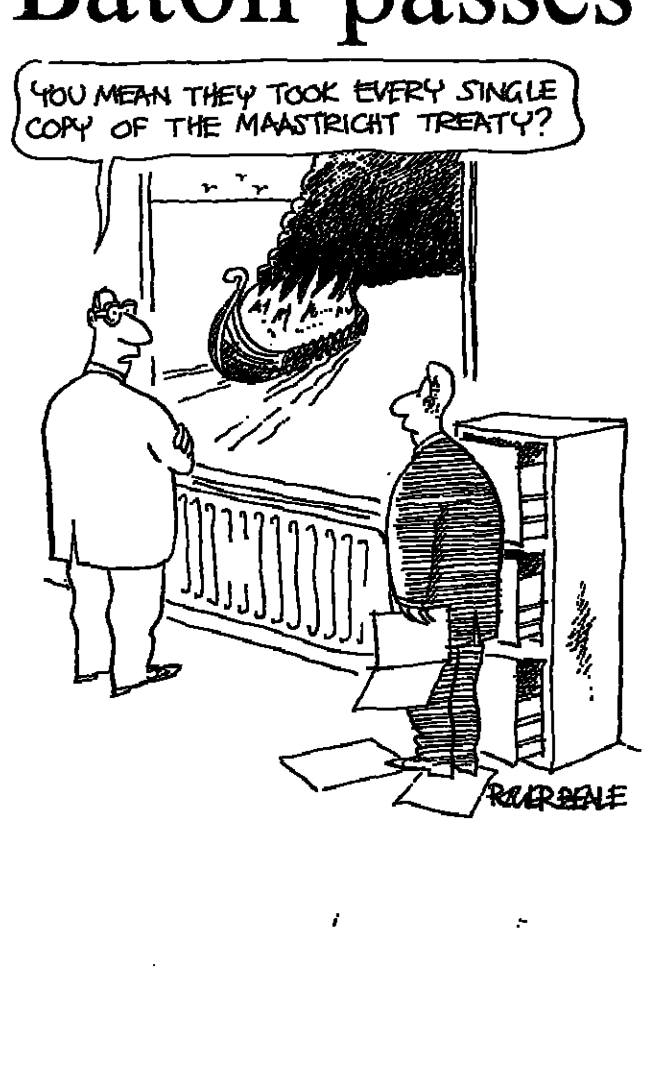
Greek government's stability in doubt

By Kerin Hope in Athens

GREECE'S former foreign minister, Mr Antonis Samaras, yesterday launched a new political party, throwing the stability of the government of the prime minister, Mr Constantine Mitsotakis, into doubt.

Announcing the foundation of "Political Spring", Mr Samaras called for a fresh approach, but avoided outlining specific policies. He has stressed that *he does not want to bring* down the government. However, the resignation earlier this week of Mr Yannis Averoff, a prominent backbencher in the ruling New Democracy party, could presage the departure of other personalities, making it increasingly difficult for Mr Mitsotakis to govern effectively. His authority has been eroded recently by accusations that he was involved in an illegal phone-tapping operation now being investigated by *judicial authorities.*

Baton passes to country that actually likes EC



By Lionel Barber in Brussels

ONE IS a flesh-pumping Flemish Christian Democrat with a passion for *football*; the other is a high-brow Flemish Socialist who conducts orchestras in his spare time. Meet Mr Jean-Luc Dehaene, Belgium's *prime* minister, and Mr Willy Claes, Belgium's foreign minister, two newcomers on the European scene who will be running the European Community for the next six months.

Today Belgium takes over the rotating EC presidency from Denmark. Mr Dehaene and Mr Claes can barely disguise their satisfaction. After the niggling nationalism of the previous British and Danish presidencies, federalist-minded Belgium is pressing for a return to Community orthodoxy. "We need more Europe, not less Europe," says Mr Dehaene.

Beyond the slogan lie two goals: to restore the authority of the European Commission as policy-motor and arbiter between the 12 member states; and to apply the provisions of the Maastricht treaty, assuming, of course, that it survives the final stage of ratification in the UK and a legal challenge in Germany.

Neither task will be easy. The mood in the Community *remains sour, best captured by* tensions between France and Germany over trade and interest rates. Unemployment in the EC will pass the 18m mark by the end of the year. The EC remains becalmed.

Yet the pressure is on the Belgians as a founder member of the EC to end the drift which began, just over a year ago, when Danish voters narrowly voted to reject Maastricht. The stakes are high: the next three EC presidencies – Greece, Germany and France – all face election campaigns in the next 18 months in which support for Maastricht could be a liability.

Viscount Etienne Davignon, chairman of the conglomerate Société Générale de Belgique, argues that credible progress toward monetary union must be made during the Belgian presidency. The challenge is to formulate a deal on the site of the new European Monetary Institute, the precursor of the European central bank, which will supervise operation of the putative single European currency. *Belgium is a great* enthusiast for the single currency, but its credibility as a member of the "hard core" currency bloc built around the D-Mark took a knock recently.

Mr Philippe Maystadt, finance minister, suggested that the Maastricht criteria for reducing budget deficits might have to be relaxed if the recession continued well into 1994. Mr Maystadt subsequently said he had been misquoted, but the impression of wavering lingered.

Belgium also wants to make Maastricht's provisions for a common EC foreign and security policy work. This may seem remote after the disarray over former Yugoslavia; but Belgium is looking for less controversial areas where the 12 can agree to "joint actions".

An important behind-the-scenes figure over the next six months will be Philippe de Schoutheete de Tervarent, Belgian's veteran ambassador to the EC and an expert in the foreign policy provisions of the treaty. He is a believer in *process as much as concrete* action.

"The Belgians are playing a long game," says one EC diplomat. "They want to encourage the correct habits."

By contrast, the British and Danish presidencies are seen as having introduced bad habits. Their enthusiasm for speedy enlargement of the EC to include Austria, Finland, Norway and Sweden by 1995 is not shared in Brussels; nor is the Danish push for more televised ministerial meetings. Five-minute sound-bites on camera are not the best way to restore EC credibility, says Mr Claes.

On the positive side, Denmark succeeded in liberalising the EC road haulage market, as well as presiding over the acceleration of the economic and political integration of central and eastern Europe into the EC, which included more generous market access agreements.

But too often its ambitions were overshadowed by the imperative of securing a Yes *in the second referendum* at the end of May and a quaint nationalism. No doubt, EC diplomats will be relieved that the question of whether to fly the Danish flag outside the White House will not dominate planning for an EC-US summit; on the other hand, they may miss the way in which the Queen of Denmark could throw EC protocol to the wind by issuing an invitation to Mr Boris Yeltsin in the middle of planning for an EC-Russia summit.

At the very least, they must hope that Belgium's fragile coalition government will last longer than the Danish coalition last January. Two weeks into the presidency it fell victim to a scandal over the treatment of Tamil refugees.

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Moslem gains prompt mobilisation

Bosnian Croat army issues general call-up

By Laura Silber in Zagreb

BOSNIAN Croat commanders yesterday ordered a general mobilisation as their troops tried to push back Moslem forces from Mostar, southwestern Bosnia-Hercegovina.

Mr Jadranko Prlic, prime minister of the self-styled Croat state of Herceg-Bosnia, yesterday ordered Bosnian Croat men between the ages of 18 and 60 to report for military duty within 24 hours.

"We have big problems with them [the Moslems] around Mostar. But otherwise I think we have enough men," Mr Prlic said yesterday in a telephone interview. Moslems outnumber Croats, who comprised 17 per cent of Bosnia's pre-war population of 4.3m. But Croat forces are better armed and have been bolstered by reinforcements from Croatia.

Bosnian and Croatian radio yesterday reported heavy fighting in Mostar, on the Neretva river. Recent attempts by the Croats to seize control of Mostar have reduced to rubble the regional capital of southwestern Bosnia-Hercegovina, already heavily damaged last year by Yugoslav army shelling.

Sarajevo radio reported that some 30,000 Moslems were trapped in the city, with no food, medicine or electricity.

The radio said Serbs and Croats yesterday pressed on with their joint attack against the Moslem-led Bosnian army around Maglaj and Zavidovici, Moslem-held towns in north-central Bosnia. Reports said refugees streamed out of Novi Seher, a suburb of Maglaj, which was set ablaze.

Corpses floated down the River Bosna which flows through both towns, according to one report which could not be independently confirmed. UN officials yesterday said Serb commanders had despatched tanks to fight beside Croat forces around Maglaj.

Recent reports say Serb fighters have rented tanks to their one-time enemies for DM500 (£200) a day. Tanjug, the Serbian news agency, denied that Serbs and Croats had engaged in a joint assault against the Moslems.

The tenuous alliance between Croats and Moslems collapsed in April when Croat forces moved to take control of key towns in central and southern Bosnia, expelling Moslems from territory they claimed was designated as Croat.

The UN Security Council was poised last night to approve a three-month extension until September 30, of peacekeeping operations in the former Yugoslav republics. Croatia, where 25 UN soldiers have been killed and 246 others wounded, had wanted only a one-month extension while a broader enforcement mandate to deal with Serb attacks might be negotiated, writes Michael Littlejohns in New York.

But Mr Boutros Boutros Ghali, the secretary general, advised the council that this was not practicable, also rejecting "for the moment" the option of withdrawing UN peacekeepers entirely from Croatia. Earlier, the council had rejected a resolution to lift the arms embargo against the Bosnian Moslems. The US backed the measure, parting company with Britain, France and Russia which had threatened a veto. However, the opponents abstained when the resolution's third world sponsors could muster only six votes.

A column of teenage Bosnian Moslem recruits on their way to military exercises above Zenica

Deficit reined back in revised Russian budget

Government is trying to meet reform demands by IMF, writes **Leyla Boulton** in Moscow

THE International Monetary Fund is due today to announce approval of a new $1.5bn loan to Russia after extracting further market reform steps from the Russian authorities.

The money was expected to be approved by the IMF board yesterday after Mr Michel Camdessus, the managing director, complained earlier this month that the government and central bank were not doing enough to implement a statement of intent promising further reforms.

Since then, Moscow has produced a series of measures to promote reforms which IMF loans, such as this first half of a so-called systemic transformation facility, are intended to support.

Mr Boris Fyodorov, the radical finance minister who sees outside pressure as a tool to help him overcome domestic resistance to painful reforms, yesterday presented to parliament a revised budget adjusted to inflation, and introducing new taxes to increase revenues.

The revised budget proposes a budget deficit of 10.4 per cent of gross domestic product as opposed to 12.2 per cent in the initial budget.

The new taxes include a 7 per cent levy on enterprise revenues to raise subsidy money for coal and agriculture, an increase in oil excises from 18 to 30 per cent, and unspecified excise on gas.

On Tuesday, the central bank increased the rate at which it lends money to commercial banks from 120 to 140 per cent.

This brings it, as one western official put it, within striking distance of achieving a promise that by mid-July this rate will not be more than seven percentage points lower than an ill-defined market rate. When the statement of intent was signed, the latter was just 150 per cent, despite annual inflation of more than 1,000 per cent.

Mr Fyodorov has apparently stuck to limits he set for credit expansion in the second quarter of this year. From today, he has liberalised coal prices, as part of promises to the Fund to remove existing price controls by the end of this year.

Although parliament is expected today to give the government permission to proceed with spending in the third quarter, it is expected to refuse to approve the overall budget.

Having rejected the earlier budget, it is now demanding details on how the government plans to spend money to support the country's ailing enterprises. But the government has so far failed to produce a long-promised industrial policy, partly because of internal divisions on what this should consist of.

Russia is due to receive in the autumn the second half of the systemic transformation facility, which sets weaker conditions than the Fund's traditional standby agreements. Russia has aimed to conclude a standby agreement, releasing a further $3bn, by October 1.

A night in Paris for price of 3 in Manchester

By Michael Skapinker, Leisure Industries Correspondent

THE most expensive hotel rooms in Europe last year were in Paris, followed by Geneva, Madrid and London, according to a survey by leisure consultants Pannell Kerr Forster.

The cheapest rooms were in Manchester, Birmingham, Edinburgh and Helsinki.

The average price paid for a quality hotel in Paris, as opposed to the official rate charged, was FFr1,284 (£150). In London, the price was £102.76. In Manchester, the cheapest of all 25 cities surveyed, the average rate charged was £49.37 a night.

Edinburgh offered the biggest discounts on its official rates, with average reductions of 44.8 per cent on offer to the traveller prepared to haggle. Oslo was the second biggest discounter at 44.7 per cent, followed by Manchester at 42.8 per cent and Athens with 40.1 per cent. Zurich was the city with the smallest discount, 12.5 per cent, followed by Prague (14.5 per cent) and Berlin (15.5 per cent).

Hotels in Prague had the highest occupancy of any large European city last year, followed by Munich and Athens.

Prague hotel occupancy was 71.1 per cent in 1992, compared with 71.5 per cent the previous year. Occupancy in Munich was 70.4 per cent, compared with 66.6 per cent in 1991. Athens, which had suffered badly during the Gulf war, saw occupancy rise from 59.1 per cent in 1991 to 70.1 per cent last year.

Of Europe's main financial centres, London occupancy increased to 67.7 per cent from 64.2 per cent in 1991 and Paris rose to 67.4 per cent from 62.8 per cent. Occupancy in Frankfurt fell slightly from 70.5 per cent in 1991 to 69.2 per cent last year.

Helsinki was the city with the lowest occupancy, with only 51 per cent of rooms full last year, compared with 55.1 per cent in 1991. Milan had the second emptiest hotels with occupancy of 51.7 per cent, followed by Birmingham (52.5 per cent) and Geneva (54.5 per cent).

Budapest and Prague had the largest number of foreign guests staying in their quality hotels, with 98 per cent coming from abroad. In Brussels and Warsaw, about 94 per cent of guests in quality hotels were foreign. Birmingham had the fewest foreign hotel guests at 10 per cent.

The Eurocity Survey is available from the Hotel Research Department, Pannell Kerr Forster Associates, New Garden House, 78 Hatton Garden, London EC1N 8JA. £500.

Azeri strong man takes command

Chief of private army to be PM

By John Lloyd in Moscow

THE MAN whose private army forced the elected president of Azerbaijan to flee his post was yesterday named prime minister and "supreme commander" of the largely Moslem Caucasian republic.

Mr Surat Husseinov, aged 35, was nominated by Mr Gaidar Alyev, the former Azeri Communist party leader who is now the powerful chairman of parliament. He promised in a speech to the deputies that the creation of a national army to prosecute the war against Armenia in Nagorno Karabakh would be "among his first steps". He also promised to end the country's economic crisis and ensure an adequate supply of food and other products to the population.

As part of an agreement thrashed out in the past three days between Mr Alyev and Mr Husseinov the new prime minister will control the defence, interior and security ministries, centralising all armed forces under his command.

He told parliament that "the conditions already exist for ending the war which has been thrust on Azerbaijan in the immediate future. If diplomatic steps are not successful, then it will be done through war - and Azerbaijan will win."

Mr Alyev, who assumes the function of head of state relinquished by the deposed President Abulfaz Elchibey, called for the people to unite to end the "civil" war in the country. He blamed Mr Elchibey, president for only a year, for the collapse of the Azeri forces and the capture of Mardakaert, the last Azeri-held town in the Armenian-dominated enclave of Karabakh.

Mr Husseinov sought to calm the fears of oil companies which had been expecting to sign a $40m (£26.6m) deal with the Azeri government this month to develop the rich reserves in the Caspian Sea, saying "the present government approach to this will be more sensible and civilised".

However, he spoke after Mr Sabit Bagirov, head of the state oil company, had given notice of his resignation, saying: "I have received indications from our new rulers that I am not wanted." Mr Bagirov had negotiated the contracts with companies including Amoco, British Petroleum and Pennzoil.

Mr Alyev and Mr Husseinov now face the immense task of restoring morale to forces shattered by constant reversals while dealing with the refugee crisis of many thousands.

China moves to cool economic expansion

By Tony Walker in Beijing

CHINA is poised to clamp down on its overheating economy amid reports that its central bank governor has been sacked for failing to impose order on a chaotic financial sector.

Wen Wei Po, a Beijing-affiliated newspaper in Hong Kong, reported yesterday that Mr Zhu Rongji, senior vice-premier, would have his responsibilities extended to include supervision of the People's Bank. His main task would be to enforce tougher credit curbs.

Officials in Beijing have declined to confirm the sacking of Mr Li Guixian, the central bank governor, but there seems little doubt he is being made a scapegoat for an explosion of credit that has fuelled unrestrained economic growth.

Zhu: heavy responsibility

China's ruling politburo is reported to have convened recently in emergency session to formulate stronger steps to deal with the economic crisis, marked by spiralling inflation and deepening concern over disorder in the financial system.

Cost of living increases are reported to have reached 20 per cent on an annualised basis in the first five months of the year in the larger cities.

Among criticisms of Mr Li are that he failed to control non-bank financial institutions, such as trust companies, that have lent huge sums for investment in property and industrial development zones. This has helped fuel a capital spending binge that is one of the main causes of China's economic overheating.

The State Planning Commission reported last week that the economy would grow at 13-14 per cent in the first six months. This far exceeds the 8-9 per cent growth targets for the year, announced in March at the National People's Congress, or parliament.

Recent measures to cool the economy, including credit curbs, appear to have been ineffective. A panicky leadership has clearly decided that more severe medicine is required.

The reported decision to invest Mr Zhu, 65, with greater responsibility for disciplining the economy is a sign of the situation's seriousness. It is also confirmation of Mr Zhu's growing importance; although he can hardly afford to fail in this tough assignment.

Reports of an imminent reshuffle of China's economic team coincides with a meeting in Beijing of the standing committee of the country's parliament, at which harsh criticism has been voiced of the leadership's financial management.

Mr Cai Cheng, a prominent member of the standing committee, was quoted by Xinhua, the Chinese news agency, as saying poor financial management and weak controls on banks were two of the main reasons for the country's present financial problems.

Mr Cai singled out what he described as a failure to reform China's financial system as a principal cause of the present malaise. "The financial system has not been reformed to suit the market economy," he said.

Vice-premier Zhu Rongji, who has been described as China's economic czar, is regarded as a reformist but has been advocating more decisive steps to regain control of the economy.

However, divisions in the leadership, the poor health of premier Li Peng, who is suffering from a heart condition, and fears of the reform process being derailed have delayed decisions.

● A senior Chinese official has attempted to scotch the latest round of speculation that Beijing may soon scrap its special foreign exchange certificates (FEC) in a one-off bid to unify exchange rates, Reuter adds from Shanghai.

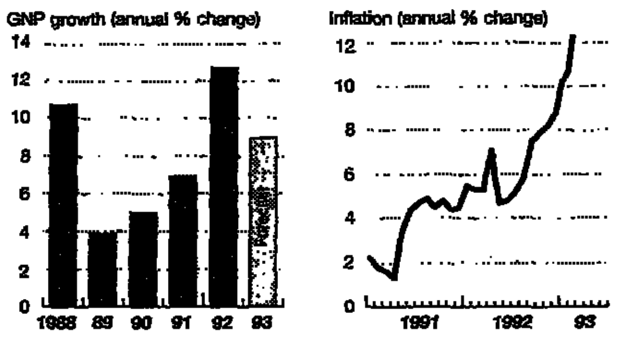
Mr Yang Xianlin, head of the policy department at the State Administration of Foreign Exchange Control, said he had "received no notification that exchange into FEC will cease", an official newspaper reported yesterday.

"The rumours that the FEC will be abolished are without foundation," he was quoted as saying.

Mr Yang's statement reflects sharpening concern over the future of the FEC, which China introduced in the early 1980s as a special currency for foreigners parallel to its own renminbi yuan.

Repeated rumours that the FEC is about to go have swept the country's markets.

China: The troubled economy



Source: State Planning Commission

Japan rebels admit to higher earnings

By Robert Thomson in Tokyo

THE rebels who brought down Japan's ruling Liberal Democratic party are either more honest or better investors than than their political peers. They admitted yesterday to earning almost 50 per cent more than the party average last year when Japanese MPs disclosed their incomes for the first time.

The 44 pro-reform rebels, who formed the Japan Renewal Party, are apparently better cushioned for the tough limits on political donations that would be part of their reform package.

The JRP members admitted to earning an average Y50.4m ($471,000) last year, well above the all party average of Y30.9m and the Y34.8m of their former LDP colleagues. Japanese politicians receive an annual allowance of Y20.6m, and the extra money comes from interest, dividends, corporate retainers or asset sales.

But the figures announced yesterday do not include funds that publicity-shy politicians have channelled through private companies, relatives or even their young children.

There are at least 81 Japanese politicians who have confessed to being poor managers of their funds – they claim that the only income received last year was the Y20.6m in parliamentary pay, and not a yen more in dividends, interest received or appearance fees.

The figures prompted JRP members to explain that the difference in their earnings was a measure of their honesty, but the large gap was an embarrassment. Japan Communist party members were at the bottom of the pile, claiming that their average income was Y21.4m, while the socialist party members were better heeled at Y24.1m.

Members of most parties were still nervous yesterday that Japanese prosecutors would strike again before a general election on July 18, and were also concerned that the construction industry has been frightened away from political donations. The prosecutors arrested a well-known regional mayor on Tuesday for allegedly taking bribes from construction companies.

Prosecutors said executives from four leading construction companies admitted to giving Y100m to the mayor, Mr Toru Ishii, but denied that the money was a bribe. Among the officials in custody is a vice-president from Shimizu, the largest general contractor, whose president, Mr Harusuke Imamura, resigned yesterday from a post at the Keidanren, the federation of economic organisations.

Mr Imamura had been chairman of a committee on decentralisation, and apparently tendered his resignation as a mark of shame at his company's implication in the scandal. The Keidanren, the country's most important business organisation, immediately accepted the resignation.

The construction ministry said the four companies, Hazama, Nishimatsu Construction, Mitsui Construction, and Shimizu, will be forbidden from tendering for ministry-controlled contracts for between two and four months, while 20 local governments have also imposed bans on the companies.

Prosecutors say the four companies provided funds to Mayor Ishii in an attempt to break into the public works market in northern Japan.

NOTHING TO DECLARE: a Somali boy with hands up passes a US army checkpoint in Mogadishu yesterday. US soldiers have sealed off an area around the airport searching for weapons. Incidents involving Somali gunmen prompted the UN to intensify security

Australian pessimism over jobs

By Emilia Tagaza in Melbourne

THE Australian government admitted yesterday it had little chance of cutting deeply into record dole queues before the end of the decade.

Mr Kim Beazley, employment minister, said there was only a slight chance of the jobless rate falling to pre-recession levels of 6 per cent by the turn of the century. More than 1.8m jobs would have to be created in the next few years.

A small rise in exports, however, has given the gloom-ridden Australian economy a breather. The current account deficit in May fell to A$1.5bn (US$1bn), seasonally adjusted, from the previous month's A$1.7bn shortfall.

While the performance was not startling, the jittery market reacted favourably to the near-target outcome. The Australian dollar closed half a cent higher against the US dollar during the previous two months there had been massive selling of the Australian currency following higher than expected deficits.

The current account deficit for the 11 months to May was A$14.3bn, and the outcome for the year is expected to be near the budget forecast of A$15bn.

S Africa reconstruction levy sought

By Patti Waldmeir in Johannesburg

AN OFFICIAL of the African National Congress yesterday called for the imposition of a heavy "reconstruction levy" on individuals and corporations in South Africa to finance the building of a "new and more equal" post-apartheid society.

Writing in the Johannesburg Star newspaper, Mr Tito Mboweni, deputy head of the ANC economics department and one of its chief economic policy-makers, argued for a charge to be levied along the lines of Germany's post-war levy, under which individuals and corporations paid half of their assets to the state to help finance reconstruction.

Such a levy is not official ANC policy, but Mr Mboweni's advocacy suggests that the organisation is seriously considering adopting it officially.

Mr Mboweni made clear the levy would be compulsory: "All South Africans who have the ability to contribute financially to the process of reconstruction should do so by law." He added that normal budgetary resources were insufficient to finance post-apartheid development expenditure without creating unsustainable budget deficits.

Mr Mboweni sought to reassure South Africans that "there is no need for anybody to be scared" at the idea of a levy. However, his comments could well give cause for concern to the potential investors now being courted in the US by Mr Nelson Mandela, ANC leader. He is touring the US to raise election campaign funds for the ANC, and to persuade US investors to prepare investments to be implemented once international sanctions are lifted.

Vietnam likely to rejoin IMF

By George Graham in Washington

THE CLINTON administration is expected to lift US opposition to Vietnam's reinstatement in the World Bank and the International Monetary Fund, allowing the country to clear its arrears and resume borrowing from the international development institutions.

A plan for France, the UK, Germany and Japan to provide bridging finance to allow Vietnam to clear its $140m (£93.3m) arrears with the IMF has been ready for some time now, but Vietnam's backers have been reluctant to move ahead without at least an orange light from the US.

Vietnam experts say the country actually has enough currency reserves to pay off the arrears on its own, however the bridging finance would avoid jeopardising Vietnam's economic ratios while opening the door to financing from the IMF, the World Bank and the Asian Development Bank.

President Bill Clinton is caught between US commercial interests, which have watched angrily as other countries entered the promising Vietnamese market ahead of hem, and the emotionally powerful lobby of families of US soldiers listed as missing in action during the Vietnam war.

Mr Clinton's own history as someone who avoided service in Vietnam makes his position particularly uncomfortable, even though congressional support for a warmer relationship with the country has been growing rapidly.

The administration had appeared to be on the point of lifting its opposition to Vietnam's reinstatement in the IMF earlier this year when a document emerged in Moscow which appeared to suggest that Vietnam had not released all the US prisoners of war it held in 1973.

Some officials have suggested that the US should maintain its own embargo on trade with Vietnam, while agreeing to IMF reinstatement, in order to dampen criticism from the families of US servicemen.

Former President George Bush had outlined a "road map" towards normal relations with Vietnam which paired progress on the missing in action issue with step by step relaxation of US commercial sanctions.

But some US businesses fear this relaxation may be so slow that all the best opportunities in Vietnam will already have been taken up by Australian, Japanese and French companies.

Jakarta wins aid increase

By David Buchan in Paris

INDONESIA'S western donors yesterday raised its aid for the coming year to $5.1bn, from $4.9bn, in recognition of Jakarta's "excellent" economic performance and continuing development needs.

But several members of the 18-nation consultative group, chaired by the World Bank since Indonesia's row with the Netherlands over human rights, raised the issue of "good governance", which they said was vital to sustain the country's development. Canada and Belgium were among those said to have taken this line.

Mr Gautam Kaji, the World Bank's vice-president for East Asia and the Pacific who chaired the three-day meeting in Paris, acknowledged some donors brought up the issue of human rights, but said they were pursuing this bilaterally with Jakarta.

Dr Saleh Afiff, Indonesia's economy minister, had declined to comment on the concerns in a multilateral forum as, he said, they were being discussed bilaterally.

In a statement, the donors' group congratulated Jakarta "on the continuity of its sound macroeconomic management and the country's excellent economic performance". In 1992-93 this had resulted in the non-oil sector expanding 7.5 per cent, with a 30 per cent growth in exports.

At the same time the current account deficit fell to 2.4 per cent of gross domestic product. The $1.4bn improvement in this balance reflected a growth in non-oil exports and a decline in imports, which was larger than expected, the statement said.

Indonesia was again congratulated for reducing poverty from 60 per cent of the population in 1970 to 15 per cent.

But Jakarta was warned it faces growing competition, particularly from newly-liberalised economies among its Asian neighbours, in expanding and diversifying exports and attracting foreign investment.

The donors' group took note of the government's recent deregulation in cutting tariffs and non-tariffs, and agreed Indonesia needed to reduce further its bureaucratic obstacles and procedures for investors.

US reaffirms its role in SE Asia

By Jose Galang in Manila

THE US will continue to provide stability in South-east Asia, Mr Clifton Wharton, US deputy secretary of state, has told regional leaders.

Mr Wharton, in Manila on the last leg of a South-east Asian tour which has covered Cambodia and the six member-states of the Association of South-east Asian Nations (Asean) – Brunei, Indonesia, Malaysia, Thailand, Singapore and the Philippines – said yesterday he perceived there was, prior to his visit, "considerable concern" that the US was withdrawing from the region. But he stressed this was not the case.

His message had been "well received" in each country he had visited, Mr Wharton said.

There had been "strong appreciation" of his assurance that Washington planned to remain involved in the region, particularly from the standpoint of economic and security engagements.

The US withdrew from its military bases in the Philippines in November last year following the non-renewal of a treaty covering the installations. American forces still maintain facilities in Japan and South Korea.

Analysts have expressed fears that the US military's pullout could lead to an arms race among the countries in the region, or that a large economic power, such as China, could "fill the vacuum" left by the Americans.

Sanctions and missiles fail to shift Saddam

James Whittington on ordinary Iraqis and a resilient regime

THOUSANDS of Iraqis wait outside the Rasheed shopping centre in Baghdad to collect their monthly survival packs of government rations. They talk in the lines of the recent US air attacks on the country, the latest news from friends and family who have moved abroad, and the success so far of Iraq's football team in the qualifying rounds of the World Cup.

Many of them like to consider themselves part of Baghdad's well-to-do middle class. But the 200-300 dinar monthly salaries of many of them, the equivalent of between $66 and $100 before the Gulf war of 1991, now barely reach double figures in dollar terms.

The US missile attack on Baghdad at the weekend came as a blow to these people who had hoped that the election of President Bill Clinton in the US might lead to a less belligerent relationship and some easing of UN sanctions. Instead, the economic pressure seems certain to continue with US policy aimed at pushing Iraqis to overthrow President Saddam Hussein.

The rationing system has become a means of survival for most of Iraq's 18m people. Its food basket consists of wheat, rice, sugar, oil and tea but it provides only 68 per cent of the minimum daily energy requirement. Many families are forced to seek other sources of income.

Aid agencies in Baghdad claim that malnutrition is becoming a real problem among the poor and vulnerable, especially in the north and south of the country.

With little means of earning hard currency, and a limited and inefficient agriculture sector, the government is forced to play a precarious balancing act of supply and demand with its strategic reserves and the goodwill of a few remaining countries. The success of the system so far is fundamental to the regime's stability.

Diplomats and aid agency officials in Baghdad say some countries are providing large quantities of food on a credit basis. Countries in South-East Asia provide rice, Sudan exports meat, and Malaysia supplies palm oil on credit.

Vietnam is repaying old debts in food subsidies, and Jordan has a tacitly UN-approved agreement whereby it supplies goods in exchange for oil. Less legitimate barter deals are reported to be carried out with Iran and Turkey.

Where food is actually paid for, the government has been forced to use some of its gold reserves to preserve its limited hard currency. Hard currency earned from private Iraqi investment abroad is also believed to be channelled into government funds in times of severe food shortages.

The fact that the regime, with extensive help from the UN and aid agencies, has survived is a cause for frustration to those who predicted sudden economic collapse when sanctions were imposed.

What is more, should a total breakdown in the system appear likely, the Iraqi government is permitted under UN Resolutions 706 and 712 to sell $1.6bn of oil to finance emergency humanitarian relief.

Attempts to control the free market economy, such as the ban last year on luxury goods and the withdrawal of the prized old 25 dinar bank note in May, have failed to curb inflation or stabilise the dinar. But the rationing system has kept a large number of Iraqis from starving.

It is difficult to gauge the true level of popular support for Mr Saddam, but despite the hardships he remains firmly in power. At least one western ambassador in Baghdad argues that the idea that the US air attack on the capital last week should serve as a catalyst for Mr Saddam's overthrow, as US defence secretary Les Aspin has implied, is a misreading.

Military confrontation with the west has been shown to consolidate anti-west feeling in Iraq and, therefore, support for the regime and it makes the possibility of a political solution to the problem all the more difficult. While there continues to be no settlement and sanctions remain, it is the poor and vulnerable who suffer.

India awaits a signal from the heavens

Stefan Wagstyl observes the vagaries of the monsoon and its immediate impact on the economy

DURING the early summer, the plains of northern India become so hot that even a dust storm comes as a welcome relief to the villagers of Sherpur, a hamlet in southern Rajasthan.

The powdery clouds that cover everything in a grey-brown grit obscure the sun and, briefly, the temperature drops. Occasionally, a few drops of rain fall, a harbinger of the monsoon which usually comes at the end of the month.

These are the worst days of the year for Sherpur. Not only must the villagers endure the heat and the dust, but they fret about the monsoon. When will it arrive this year? How big will it be? Will it come at all?

Despite the government's emergency food stockpiles, a good monsoon is still a matter of life and death in remote villages. For tens of millions of rural Indians, including the villagers of Sherpur, good rains represent the difference between a year of plenty, when money can be set aside for a wedding or for a bicycle, and a year of subsistence living.

For the economy as a whole, good rains add 1 percentage point to the growth rate; widespread drought can remove at least as much and more.

The residents of India's cities are protected from the extremes of the weather, but they too cannot escape the effects of the monsoon. Even Bombay, the country's most modern metropolis, is subject to the vagaries of the weather.

Last year, the rains came so late that the city authorities started rationing water to prevent the reservoirs running dry. Newspapers ran stories counting down to the day the water was expected to run out. Then on August 12 – two months late – it rained.

In 1991 there were floods. Traffic was brought to a standstill in low-lying parts of the city. The trains stopped running as water washed over the rails. Mr Sharad Kale, the city's commissioner, or chief executive, says: "Bombay is built on a string of seven islands. We have filled in the gaps but many areas lie at sea-level or below sea-level. You can imagine what happens."

Each day of heavy flooding costs the city millions in lost production, not to mention the damage done to buildings and property.

d3 The Bombay Municipal Corporation is preparing a Rs60bn flood control plan which involves rebuilding drains and sewers, some of which date back to Victorian times. "The trouble is," says Mr Kale, "people want improvements but don't want to pay for them".

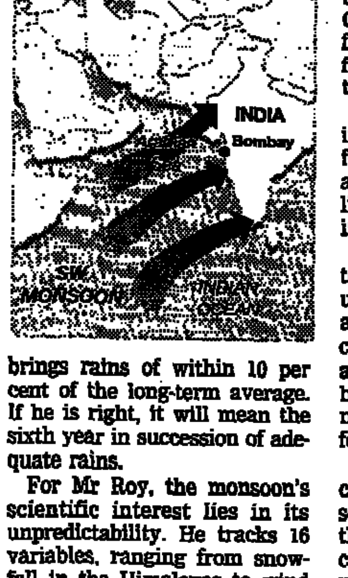
This year's monsoon has started well, bringing good rains to farmers in south India. Keeping to its traditional course, it moved in from the Arabian sea into the south western tip of India in the first few days of June.

From there, it has spread, as normal across peninsula India towards the east coast. If the usual patterns prevail, it should make a U-turn over the Bay of Bengal and spread across northern India from the east.

However, the usual patterns do not always prevail. The difficulty of forecasting the monsoon has exercised Indians for centuries. Astrologers, priests, and scientists have all tried and failed to find the perfect way of predicting the monsoon.

The burden of forecasting falls heaviest on Mr N Sen Roy, the director general of the country's meteorological office. Mr Roy sits in front of a computer screen covered with black and white patches superimposed on a map of India. With it he tracks the monsoon.

"I can tell you where it is raining now," says Mr Roy, "but I cannot tell you for certain where it will rain in future." For this year, Mr Roy has forecast a "normal" monsoon, meaning one which



brings rains of within 10 per cent of the long-term average. If he is right, it will mean the sixth year in succession of adequate rains.

For Mr Roy, the monsoon's scientific interest lies in its unpredictability. He tracks 16 variables, ranging from snowfall in the Himalayas to wind patterns in the southern Pacific.

He points to a large wooden board where the names of his predecessors are listed, going back to 1886. His hero is Sir Gilbert Walter, who held office from 1904 to 1924 and devised formulae which are still used today.

Mr Roy warns against reading too much into monsoon forecasts. The monsoon is not a front, blown in from the sea, like rains from the Atlantic are in the UK.

Such weather patterns tend to sweep across whole regions uniformly. The monsoon is created by a complex mix of changes in air temperatures and winds, therefore it can bring rain to one village and none at all to another only a few miles away.

So the villagers of Sherpur can do little to protect themselves against the vagaries of the weather. "Rich farmers can choose which crops to sell and which to stockpile," says Mr Roy. "Poor farmers have few choices."

هكذا صدر الأصل

US likely to extend N-test moratorium

By George Graham in Washington

PRESIDENT Bill Clinton is expected to extend the US moratorium on nuclear testing, bowing to intense opposition from Congress to any further such tests.

The extension would also halt any British tests at the US testing site in Nevada and please the Russian government, which wants neither to incur the cost of further tests of its own nor to encourage any nuclear ambitions among its neighbours, especially Ukraine.

Mr Clinton said yesterday that he had made a decision but was still working on details. He would make a statement in the next few days.

Congress last year passed a nine-month moratorium on nuclear testing that expires today, but it allows up to 15 tests over the next three years.

After an intense debate within the administration, a proposal was submitted to the president 10 days ago for six US and three British tests over the 1993-96 period.

Consultations with members of Congress showed, however, that there was no likelihood that the House of Representatives would accept a resumption of testing, and little support for further tests even in the Senate.

Particularly damaging to the case for renewed testing was the Defence Department's refusal to commit itself to fitting its nuclear missiles with any safety features developed because of the tests.

Nuclear weapons laboratories have argued that more tests are needed to improve nuclear weapons' safety and reliability.

Mr Clinton is expected to announce a 12-month extension to the moratorium, leaving the possibility of resuming tests in 1995, before the 1996 target date which Congress and the president have set for negotiating a comprehensive nuclear test ban treaty.

Unless other nuclear powers conduct their own tests before then, a resumption appears unlikely, especially as new US tests in 1995 could undercut efforts to win support from other nations for the renewal of the Nuclear Non-proliferation Treaty, which is due to expire that year.

The British government, which had hoped for more tests to help it develop a new warhead for the Trident missile, has little choice but to go along with a US moratorium.

The country most embarrassed by an extension of the test ban is likely to be France, which started the moratorium by announcing that it was suspending its own controversial tests at Mururoa in the South Pacific, but which is keen to conduct more tests to help it modernise its nuclear arsenal.

Mexico acts on wrong arm of the law

Damian Fraser and Lucy Conger on anti-corruption drive in law enforcement agencies

GOADED by the murder in May of a Roman Catholic cardinal, the Mexican government has recently launched a high-profile clampdown on corruption in the police force and the attorney-general's office.

In two months, Mr Jorge Carpizo, the respected attorney-general, has arrested or dismissed scores of high-ranking police officers, set up an élite anti-drug police unit, and thrown in jail leaders of the notorious *Sinaloa drug cartel*.

This came after President Carlos Salinas had vowed the killers of Cardinal Juan Jesús Posadas Ocampo would be caught and punished.

The government's moves against corruption are at least partly aimed at satisfying outraged domestic and international opinion. The murder of the cardinal, by presumed drug traffickers, sparked a fury unmatched by any other act of violence in Mexico's recent history, and threatened to damage the president's domestic standing.

In the US, Mexico's attempts to project itself as a modernising, progressive country took a battering. Stories of shootouts in the country's second largest airport, and tunnels dug for drug traffickers between the US and Mexico, dominated coverage of the country, and fuelled concerns over the North American Free Trade Agreement.

But, while the anti-corruption measures have helped the government regain the initiative after Cardinal Posadas was murdered, their effectiveness has been widely questioned. Corruption is so much a part of Mexico's police force – from everyday bribes by *motorists to protection money* from drug gangs – that until now all reforms aimed at weeding it out have failed.

The previous attorney-general, Mr Ignacio Morales Lechuga, now ambassador in Paris, was once hailed as a moderniser, and he too replaced corrupt officials with what was meant to be a new breed of clean lawyers. Now many of these officials, such as Mr Rodrigo Esparza, former chief of federal police in the west coast state of Sinaloa, have been fired after suspected involvement with drugs.

The centrepiece of the latest initiatives against drug trafficking is the creation of the National Institute to Combat Drugs as an autonomous agency. Modelled on the US

Police action in Mexico: previous clean-up attempts have failed

Drug Enforcement Agency, the institute will lead investigations of the drug trade, arms trafficking and money laundering, create an intelligence system and run operations to intercept drug traffickers and shipments.

The Salinas initiative requires an overhaul of the federal anti-narcotics squad, notorious for corruption. The institute's charter calls for splitting the anti-narcotics police from the attorney general's federal judicial police.

The administration has also arrested 35 people in connection with the shooting of Cardinal Posadas and six others. Mr Joaquín Guzmán Loera, apparently the intended target of the attack and head of the powerful Sinaloa drug cartel, was seized in Guatemala on June 9, and brought to Mexico.

Later, the Mexico City police *chief was arrested for his role* several years ago in freeing Mr Guzmán Loera after the capital's police had captured him. The attorney-general's office (PGR) also announced the dismissal of 67 federal judicial policemen on suspicion of drug-related corruption, while at least three judges in Sonora state are under investigation for allowing the release of suspected drug traffickers

Despite these dramatic steps, many are sceptical that they will be sufficient to thwart drug traffickers and their ability to corrupt those who stand in their way.

Mr Robert Bonner, head of the DEA in the US, warmly applauds Mexico's tough measures, but says a thorough clean-up would require "taking on officials who aid and abet drug trafficking".

"The question is," Mr Bonner says, "how do you professionalise the PGR, how do you develop a justice system that does not let people pay their way out, and others who are arrested go free? ... You cannot just remove the [drug] leaders. We know there are relatives and others who will replace them – you have to got to remove totally the infrastructure of the organisation."

Mr Bonner suggests some institutional changes that might cut the incentive to take bribes. One reform would eliminate the practice of senior police jobs being auctioned off to the highest bidder, and another an end to the custom of a *madrina*, a freelance agent who works alongside policemen, being paid a commission of goods confiscated in police operations.

Such reforms may be in the making, and would be popular with most Mexicans, fed up with bribing police and being victimised by gangs who enjoy police protection. But they would also end a lucrative source of income for government and police officials, whose basic salary is low and expectations of wealth high.

Uranium process goes independent

By George Graham

THE US today will spin off its uranium enrichment activities from the Department of Energy to an independent corporation, which the administration hopes to prepare for privatisation in two years.

The US Enrichment Corporation will run two uranium plants – at Paducah, Kentucky, and Portsmouth, Ohio – and will have annual sales of about $1.5bn.

Mrs Hazel O'Leary, energy secretary, said the new company's mandate would be to regain for the US what used to be a dominant share of the world enrichment market, by changing from a bureaucracy to a business.

The US, which now charges 30-40 per cent more than competitors such as Europe's Eurodif and Urenco consortia, has seen its world monopoly of enrichment services slip to 46 per cent.

One of USEC's tasks will be the reprocessing of weapons-grade, highly enriched uranium from the former Soviet Union into low-enriched uranium for use in commercial power generation.

TV networks to warn on violence

By Martin Dickson In New York

THE four US television networks, under congressional pressure to shield children from shows displaying violence, yesterday agreed to air warnings to parents just before the start of such programmes.

The agreement – unveiled by senior officials of ABC, CBS, NBC and Fox – comes amid growing concern in Congress about the possible harmful effects of television violence on viewers, particularly children.

Congress members had warned the networks that they might seek legislation to impose a rating system on programmes, similar to that applied to cinema films.

In an attempt to head off such a system, the networks say that they will decide which programmes merit a parental warning, based on the degree and the context of violence shown.

This independent initiative will come into effect in the autumn, the warning being shown before the start of shows and being available for publication in programme guides.

However, the system does not yet cover the cable television networks, which account for a large and growing slice of Americans' viewing, nor does it extend to cartoons.

Mr Howard Stringer, president of CBS, acknowledged that the networks were likely to lose some advertising business from shows carrying violence warnings.

● Mr Reed Hundt, a Washington lawyer known mainly for work in anti-trust litigation, has been nominated by the Clinton administration to head the Federal Communications Commission, the government body which oversees telecommunications and media.

Mr Hundt, 45, would succeed Mr Alfred Sikes, a Republican who resigned in January when Mr Clinton took office.

The new nominee is a close associate of Vice-President Al Gore, who is playing a leading role in communications policy.

NEWS: WORLD TRADE

Russia calls for 'trade not aid' treatment

Leyla Boulton on Moscow's need to be treated as 'normal' – but with help from its friends

PRESIDENT Boris Yeltsin and his government are demanding an end to trade "discrimination" against Russia as it struggles to switch to a market economy and Mr Yeltsin intends to make the point when he meets leaders of the Group of Seven industrial countries at their Tokyo summit next week.

"We want Russia really to become an equal member of the world financial and trading community," says Mr Alexander Shokhin, the deputy prime minister responsible for Russia's foreign economic relations.

In the past few weeks, Russia has demanded rapid admission to the General Agreement on Tariffs and Trade and refused to sign a partnership agreement with the European Community on the grounds that it provides insufficient access for Russian goods and services to EC markets.

Last week, Mr Viktor Chernomyrdin, the Russian prime minister, called off a visit to the US in protest against sanctions imposed by Washington because of a $350m Russian contract to supply rocket engines to India.

According to Washington, the deal violates international agreements to limit the proliferation of missile technology which India says it needs for a peaceful space programme. Russia says the US simply wanted its companies to get the deal.

Closer to home, Russia is demanding that western loans be given to other newly-independent former Soviet republics to pay for Russian energy supplies. The beauty of this scheme, which the west does not even want to discuss until the Tokyo summit is out of the way, is that Russia would get new western funds while the other republics would get new debt.

"The fact that Russia is negotiating aggressively on trade shows that it's becoming a normal country," said one western diplomat. "The controversy arises from the fact that it expects better than average treatment as part of western support for reforms."

Some of the Russian complaints about discrimination are a negotiating tactic since even Russian officials acknowledge that they do not want to expose the country to foreign trading competition all in one go – which is what speedy admission to Gatt, for instance, would imply.

But public posturing notwithstanding, Russia's demand for "trade not aid" threatens vital western interests in a way which earlier forms of assistance have not.

The conflict is particularly acute for the EC, Russia's close neighbour and biggest trading partner, which needs to reconcile the desire to help Russia with pressure to protect EC jobs and companies from competition from the east.

Access to western markets happens to be one of the most effective forms of support the west can give Russian market reforms. It enables Russian enterprises to help themselves rather than demand subsidies from the government. It avoids the risk of Russia's inefficient state bureaucracy squandering direct grants from western governments. It also makes western demands for faster market reforms in Russia more credible.

"Jeffrey Sachs [the Harvard professor turned Russian economic adviser] is telling the Russians to restructure or close down their factories. I say we should close ours," said one western diplomat.

However, controlled domestic energy prices, the fact that many Russian enterprises have only a poor idea of what their costs are and the desire of many to make precious hard currency by pricing their exports cheaply, are all presented by western competitors as arguments for maintaining restrictions on imports from Russia.

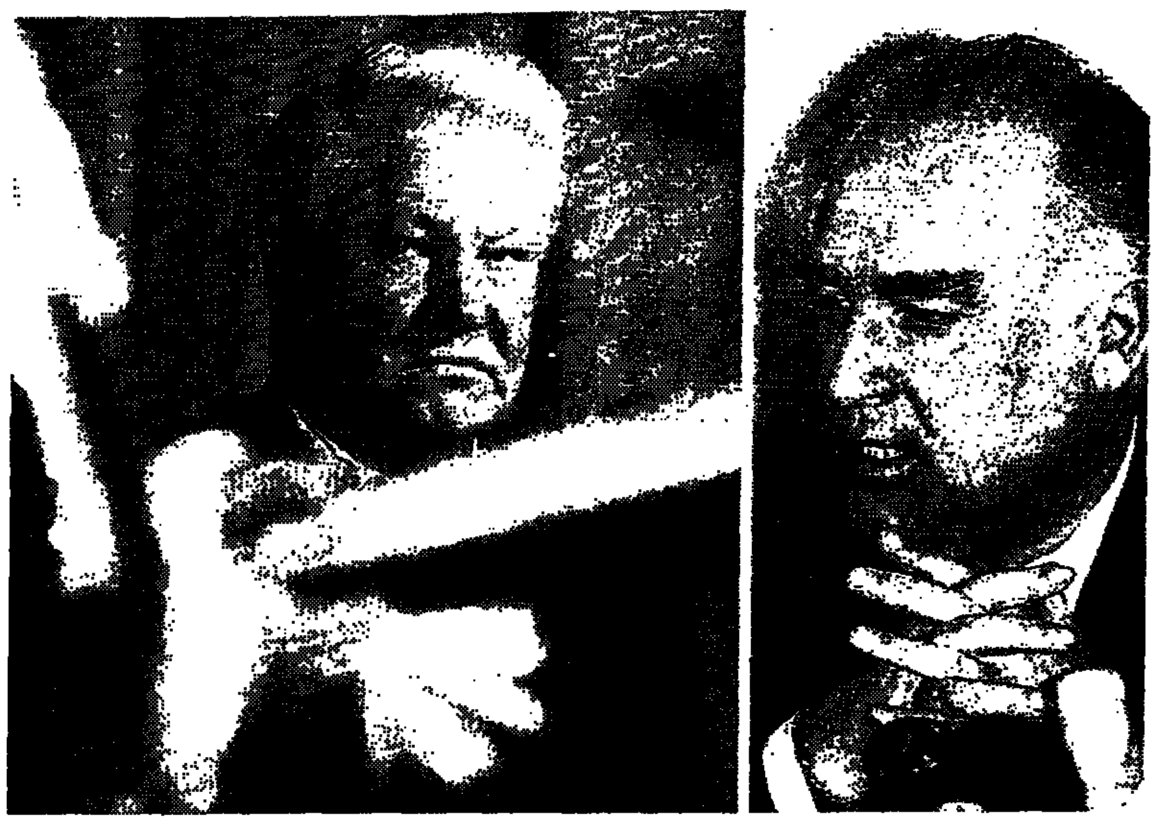
Exports of natural gas and oil needed by western Europe account for the fact that Russia has a trade surplus with the EC. But while there is no demand for most Russian industrial goods, the few which are in demand face restricted access on the grounds that Russia is not yet a market economy.

The EC operates quantitative restrictions on steel and textiles, and in effect limits imports of enriched uranium by requiring a licence for each deal. It is soon to decide whether to slap anti-dumping duties on Russian aluminium imports, which last year sharply drove down western aluminium prices and hurt western producers.

But with much of the EC steel industry already in the throes of painful restructuring, and no similar changes yet in evidence in Russia, even free traders within the European Commission, who are sympathetic to Russia's case, say it must make more progress with market reforms to obtain better access. In that spirit, Sir Leon Brittan, the commissioner responsible for foreign economic relations, says a review clause contained in the co-operation and partnership deal could transform it into a free trade agreement in three years.

Trade could certainly be useful as an incentive for Russia to speed up domestic reforms. In a move which should help strengthen Russian manufacturers' case in the face of accusations that they benefit from unfair energy subsidies, the government plans to free coal prices from today and domestic oil and gas prices by the end of the year.

Russia is also putting the finishing touches to a market-sharing compromise with the US and the EC which could show the way in other sectors and will give it the right to conduct 12 commercial satellite launches between 1995 and 2000. This is despite fears at western Europe's Arianespace that it could be wiped out by Russia's ability to conduct launches at half its cost.



Yeltsin, left: something to tell the G7, and Chernomyrdin: protest at US sanctions

Senators try to protect fast-track authority

By Nancy Dunne in Washington

THE US Senate's Democratic leaders were preparing yesterday to fight off an attempt to amend the "fast-track" negotiating authority the president has to complete the Uruguay Round of international trade negotiations by December 15.

Senator Fritz Hollings, a Democrat supporter of the textile industry, said he would try to attach an aggressive provision – called Super 301 – to the fast-track authorisation. Super 301 has loopholes which let the administration avoid imposing sanctions but is disliked by US trading partners, who see its listing of "unfair traders" as US unilateralism.

The US administration, hoping to avoid a battle, has asked for a "clean" fast-track, free of measures which would offend US trading partners. Lobbyists yesterday were asking senators not to "embarrass" the president by encumbering him when he discusses trade at the Tokyo summit next week.

In the hope of harmony at the summit, the administration yesterday delayed announcing sanctions in its dispute with Japan over access to the construction market.

But the administration's entire trade agenda looks fragile. A US federal judge yesterday ruled that the North American Free Trade Agreement with Mexico and Canada violates the National Environmental Policy Act.

Meanwhile, the "quad" talks – the US, Japan, the EC and Canada, meeting in Toronto – are stuck over a US retreat from the Bush administration's position on reduction of textile tariffs. Ms Jennifer Hillman, chief textile negotiator, has accepted US industry insistence that the quota phase-out be tied to "substantial market access commitments, especially from the developing countries".

Finnair goes back on Boeing order

By Hugh Carnegy in Stockholm

FINNAIR, the loss-making Finnish national airline, yesterday said it had decided not to proceed with plans to replace its 10 McDonnell Douglas and Airbus wide-bodied aircraft with Boeings because of the cost.

The airline announced in April that it had signed a letter of intent with Boeing and International Lease Finance Corporation that envisaged the replacement of Finnair's entire 44-strong fleet with a new fleet based on the Boeing 676 and 737 families of aircraft by the end of the decade.

Since then Finnair has reported losses after financial items in the year to the end of March 1993 of FM415m ($72.8m), more than double the loss the previous year, and warned of a hard year ahead.

Taiwan disk plant for NE England

By Chris Tighe

ONE of Taiwan's largest electronics companies, CMC Magnetics Corporation, announced yesterday it is to set up a £26m ($39m) floppy disk production plant at Cramlington, Northumberland, in the north-east of England, creating 550 jobs over three years.

The plant, with an annual output target of 120m disks, will sell in the European market, and eventually to North America. It is to receive £8.25m in regional selective assistance, Mr Tim Eggar, a UK energy minister, said during a visit to Northumberland.

The project is the UK's fifth manufacturing inward investment from Taiwan, and the third in Northumberland.

Production is to start in the autumn and 100 jobs will be created in the first year.

Norway power warning

By Karen Fossli in Oslo

THE Confederation of Norwegian Business and Industry (NHO) yesterday warned the government that a dual-pricing system was emerging for domestic and export electricity contracts, threatening to undermine the competitiveness of Norwegian industry.

Norway is the most advanced of any European country in liberalising its electricity market, allowing exports on a concession basis, but the NHO yesterday said the government must also allow free access to electricity imports, in order to stop dual pricing.

"What we are seeking to avoid is profits being made from expensive domestic contracts, while cheap export contracts covering surplus power are agreed," said Mr Karl Glad, an NHO executive.

He warned in a letter to Mr Finn Kristensen, industry and energy minister, of electricity price differentiation, price manipulation, dumping and monopolistic tendencies by Norway's big electricity producers.

He said costs for new transmission cables between Norway and the rest of the continent were being subsidised by high domestic electricity prices.

NHO is particularly sceptical of a recent supply contract agreed by Statkraft, the domestic power company, and Germany's PreussenElektra. The 25-year deal covers the equivalent of twice the annual electricity consumption by Oslo.

■ Agency accused of forging politician's letter ■ Attorney General refutes Nadir claims ■ MPs sceptical

Storm over Serious Fraud Office takes new twist

By Alison Smith

THE POLITICAL storm over the activities of Britain's Serious Fraud Office (SFO), the agency overseeing financial crime, took a new twist yesterday as a senior politician made fresh allegations over its handling of an investigation.

The accusations came straight after Sir Nicholas Lyell, the attorney-general, had responded in detail to the sensational claims about the SFO's handling of the case against Mr Asil Nadir, the former chairman of Polly Peck International, who fled earlier this year from Britain where he faces criminal charges.

Concern among MPs was intensified by the revelation that an SFO official had last year forged a letter purporting to come from Sir David Steel, a senior Liberal Democrat MP, in a separate case, related to the collapse of the Bank of Credit and Commerce International.

Sir Nicholas said he had apologised for the forgery, which he admitted was "a very serious error of judgment, a stupid thing to do", and said that the matter had been dealt with internally.

Sir David said that from October 1991 he had raised with the then attorney-general the handling by the SFO of the investigation of Control Securities, whose chairman and chief executive, Mr Nazmu Virani, he knew slightly.

In March 1992, Mr Virani was charged with an offence of conspiracy to defraud, and just before the first court hearing, at which the SFO opposed bail, an SFO official showed his solicitor a letter purporting to be from the MP, saying that he would be attending the hearing.

Separately, Sir Nicholas's insistence that there was no basis for an independent inquiry into the charges made by Mr Michael Mates – the former minister who resigned over his links with Mr Nadir and subsequently accused the SFO of a conspiracy against the businessman – was broadly accepted at Westminster. But the opposition is still determined that the names of the other MPs who made representations on behalf of the fugitive businessman should be disclosed.

Supporting his argument with the publication of an edited version of the correspondence between himself and Mr Mates, Sir Nicholas went through the accusations in the former minister's extraordinary resignation statement in the House of Commons on Tuesday.

On the most serious claim, that the SFO had tried to put "improper pressure" on the trial judge, he said that the alleged conspiracy to bribe the judge was being separately investigated by the police under the supervision of the director of public prosecutions. This had revealed no "credible evidence" implicating the judge personally, he added.

Mr John Fraser, Labour's legal affairs spokesman, expressed some scepticism at the claims Mr Mates had made, but shared the unease expressed by several MPs at the idea that the SFO sought to generate publicity for arrests, and gave the media advance information about arrangements.

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MPs urge government to offer UN more troops

By David White, Defence Correspondent

BRITAIN'S influence in the world will suffer unless it provides more forces to match the increase in UN peacekeeping operations, a committee of MPs said yesterday.

The cross-party Commons defence committee, which has attacked government plans for cutting army manpower, said it would expect the Ministry of Defence to show it had sufficient forces to meet peacekeeping commitments.

It said the UK had been unable to make a valuable contribution in Somalia by sending ground troops, a decision apparently dictated by the availability of forces and funds.

"If the increase in UN peacekeeping operations is not matched by at least something approaching a commensurate increase in UK participation," the committee said, "the UK's voice in international affairs will lose authority, and the operations themselves will be less likely to succeed."

Its report criticised delays in equipment projects which hampered British forces' capacity to intervene effectively. Despite the recent order of a helicopter carrier, to be built jointly by VSEL and Kvaerner Govan, Britain's amphibious intervention capability would be "threadbare" for the next five years, it said.

The committee also called for an immediate decision on plans for new troop-carrying helicopters, attacking the ministry for "apparent prevarication" and "inaction".

However, it recognised that the UK could not join every peacekeeping operation, recommended it should participate only where its particular skills were needed, and warned that British forces could not continue indefinitely supporting humanitarian aid in Bosnia while coming under direct attack.

Once UN forces lost the consent of local militias, "either the mandate will have to be changed or forces withdrawn," it said.

Edinburgh shuts door on Le Pen

By David Gardner in Brussels

MR Jean-Marie Le Pen, leader of France's National Front, has been forced to cancel a meeting in Edinburgh next week for 14 right-wing Euro-MPs, after hotels there refused to host it.

Mr Le Pen is instead to try to hold the meeting in Dublin. It is one of a controversial series of meetings of the European Right group in the European Parliament, which are being financed by EC taxpayers.

Parliament officials in Brussels said the Edinburgh Sheraton cancelled the Le Pen group's reservations, and that parliamentary staff had refused to help in finding an alternative.

Edinburgh's city council had also denied the group access to its premises.

Mr Le Pen was seeking reservations at the Fitzpatrick Castle Hotel in Dublin, they said.

The European Right group issued a statement yesterday protesting that the hoteliers of Edinburgh were forced by threats to refuse any meeting in Scotland next week.

Mr Glyn Ford, a leader of the UK Labour party in the European Parliament, said he was "delighted the people of Scotland have shunned this odious man", and was sure the people of Dublin would also be outraged at the group's attempt "to peddle their evil message" there.

Chemical sector spends £1bn on environment

By Paul Abrahams

BRITAIN'S chemical industry spent more than £1bn on the environment last year, representing about 3 per cent of the industry's £29.9bn turnover, according to the industry's trade body.

The Chemical Industries Association (CIA) said the UK chemical sector was the first British sector to publish its spending and environmental emissions. It was also the world's first chemical industry to publish such statistics. Mr John Cox, director general, said the statistics would form a model for other industries.

The CIA reported that between 1990 and 1992, environmental spending increased from £830m to £1.032bn. Capital expenditure on the environment rose from £184m to £305m. As a proportion of total capital spending it rose form 8 per cent to 14 per cent. Environmental operating costs rose form £646m to £727m.

Discharges of red list substances – a list of 23 groups of chemicals defined by the government as being unwelcome in aqueous waste – fell 40 per cent from 403 tonnes in 1990 to 243 tonnes in 1992.

The levels of special wastes – a list of 29 classes of chemicals which require particular attention – disposed of outside chemical sites fell 9 per cent from 253,900 tonnes in 1990 to 231,800 tonnes last year.

These emissions, however, increased from 213,700 tonnes in 1992. The CIA said this was because companies had been closing down sites and disposing of waste such as asbestos.

The industry's energy consumption fell 19 per cent between 1967 and 1990, although output rose 112 per cent. Energy consumption per unit of output fell 61.6 per cent.

Environmental indices created for the 114 sites between 1990 and 1992, shoed 84 had improved their performance, while 30 had deteriorated.

Mr Jim Whiston, head of health, safety and environment at Imperial Chemical Industries, said this showed the indices were credible measures. Friends of the Earth, the environmental pressure group, called for the industry to publish a complete record of all toxic emissions.

"The industry is generally improving, but it has a long way to go," said Mr Whiston.

The figures were collated from about 256 locations, representing about 75 per cent of the CIA members' sites, 88 per cent of the capital investment and 62 per cent of the entire industry's capital base.

And finally... News at Ten remains on time

Trevor MacDonald, pictured above, is the bulletin's latest anchorman, following a recent US-style revamp.

News at Ten, news flagship of Britain's commercial TV stations, is one of Britain's broadcasting institutions. Famed for breaking stories and a popular style, it introduces each bulletin with the chimes of Big Ben, from the historic clocktower next to parliament on the banks of the Thames at Westminster. Recent plans to move the 30-minute programme to an early evening slot prompted an outcry among politicians and the public culminating in an intervention by John Major, prime minister. The plans have now been shelved.

- An audience of more than 8m usually outstrips its BBC rival, shown at 9pm, and puts it in the country's top 30 programmes.
- The 10pm slot was chosen more than 25 years ago to coincide with votes in the House of Commons
- Some ITV companies want to move it to an earlier slot so they can show big budget Hollywood films at peak viewing time
- Its newscasters are journalists of influence. Sir Alastair Burnet, who retired last year as the main anchorman was a former editor of The Economist and Daily Express
- Michael Green, chairman of Carlton Communications last year took over ITN, formerly owned by 15 regional ITV companies. Six ITV companies are still shareholders but they also brought in Reuters, the international news group
- The last Labour government led by James Callaghan fell during live News At Ten coverage from parliament
- Under government legislation, at least 51 per cent of ITN has to be held in non-ITV hands by the end of next year.
- New chief executive David Gordon is determined to make ITN more international and one day compete with CNN and BBC World Service Television
- Recent ITN scoops have included interviews with Asil Nadir and Lord McAlpine former treasurer of the ruling Conservative party on secret overseas donors
- And Finally ... ITN usually ends on a light item to send viewers more cheerfully to their beds

NEWS AT TEN, ITV's flagship television news programme, is to keep its traditional slot for the foreseeable future after a wave of political protest at suggestions that it might move to an earlier time, writes Raymond Snoddy.

The ITV companies who were suggesting the programme should be moved, possibly as early as 6.30pm, yesterday backed down in the face of firm opposition from the Independent Television Commission (ITC) and growing parliamentary pressure which included a letter from Mr John Major, prime minister expressing concern.

Sir George Russell, ITC chairman, yesterday wrote to the chairman of all 15 regional ITV companies warning them that they risked being in breach of their broadcasting licences if they moved the main evening news programme without ITC permission.

Eight of the companies had proposed running the main evening news at 10pm in their bids for new franchises and the ITC legal advice is that these commitments represent core obligations of their broadcasting licences.

Earlier, Mr Peter Brooke, National Heritage secretary had suggested that generally hostile parliamentary opinion on the News At Ten issue might also have flowed over to ITV ownership issues as well.

A number of large ITV companies want to see a relaxation of the rules to allow the nine largest companies to take each other over. Such a move, if the government decides to go ahead, would have required a resolution in both houses of parliament.

Although the ITV companies could challenge the ITC interpretation of its powers in the courts this is unlikely.

ITV executives conceded last night that the idea of moving ITN to the early evening which came out of a strategy conference last month had been an "own-goal" and that a detailed business assessment of the move had never been prepared.

Motorists face police checkpoints as part of anti-terrorist scheme

City to get security cordon

By Gillian Tett and Richard Tomkins

AN ANTI-terrorist security cordon is to be enforced around the City, London's financial quarter, in a bid to frustrate bomb threats in the capital, the Corporation of London said yesterday.

The government has approved a series of tough measures, which include ringing the City with 24 hour police checkpoints, following mounting concern at recent bomb blasts, according to Mr Michael Cassidy, chairman of the policy committee at the Corporation, the City's local authority.

The checkpoints, which will have the power to monitor and stop any suspicious vehicles, will be put into operation within days.

Mr Owen Kelly, the commissioner of the City of London Police yesterday met with Mr Cassidy to finalise details of the security plan, which will place checkpoints on the six main entrances into the Square Mile, blocking off all other entry roads.

Against a background of mounting concern that the measures might be seen as an propaganda coup for the IRA, the Corporation of London was at pains to down play the move, pointing out that the surveillance of vehicles was already underway in the City, following the Bishopsgate bombing two months ago.

"This is not a *"ring of steel"* around the City as some of the papers have called it." Mr Cassidy said. But he admitted that the checkpoints represented the first stage in a broader set of security measures now being discussed with the police and government departments.

These proposals, which include restricting non-essential vehicle access to the centre of the City, and increased police and video camera surveillance, are likely to be announced today.

City businesses and banks yesterday gave the proposals a cautious welcome, although they stressed that until the fuller set of proposals were put into force it was impossible to predict the measures' likely impact on the City's reputation as a financial institution.

"As long as emergency vehicle access was maintained, and the City was able to function as a financial institution, we would welcome the tightening of security," the Stock Exchange said.

Nevertheless, the proposals have been greeted with concern by some government officials, particularly in the Department of Transport, amid fears that the scheme could be a interpreted as a limited success for the IRA, which has claimed responsibility for recent blasts, and create traffic congestion.

The City of London police yesterday refused to reveal when further security measures were likely to be implemented, although they acknowledged that they were currently seeking approval from the Secretary of State for Transport for their own separate scheme for extra traffic surveillance in the area.

Arms probe told of MI6 hunt for gun components

By David Owen

MI6, the intelligence service, was involved in Europe-wide efforts to hunt down components for an Iraqi supergun beginning in 1989, the Scott inquiry into arms exports heard yesterday.

Mr David James, chairman of Eagle Trust – whose subsidiary Walter Somers made supergun components, gave a detailed account of previously undisclosed meetings he had with the intelligence agency in the weeks leading up to the seizure by Customs of eight 1,000mm diameter tubes destined for Iraq in April 1990.

He dismissed suggestions MI6 might have known before 1990 that British companies were manufacturing supergun components and engaged in a cover-up. Such claims would not be consistent with the "behaviour pattern" or *"enthusiasm to pursue everything"* of the individuals he dealt with, he said.

Mr James said the initial contact with MI6 took place at his instigation in March 1990 after his suspicions had been aroused by three tubes, destined for Iraq, which he had examined at Walter Somers' north of England plant the previous January.

MI6 explained that the *details he had given* were incompatible with the dimensions of the parts for the "monster" gun they were looking for with other European intelligence agencies, but that the tubes might be part of a prototype for this larger model, Mr James said.

MI6 said the larger gun would be capable of firing a tonne of anthrax a distance of some 1400 miles, bringing Tel *Aviv within range of Baghdad.*

The inquiry continues next week.

Henley Royal Regatta, a bastion of amateur sport and part of the traditional British summer season, started yesterday. A Harvard University eight from the US is among the favourites for the Thames Cup and the German national Hansa Dortmund crew is tipped to win the Grand

British Rail and subsidiary give rival versions of accounts

By Richard Tomkins, Transport Correspondent

AN EMBARRASSING rift *opened yesterday between British* Rail and its InterCity subsidiary as the two published widely differing versions of how much profit InterCity had *made last year.*

British Rail announced that InterCity's operating profits had slumped from £90.6m the previous year to £65.1m because of the recession. But InterCity announced that a combination of cost-cutting *and innovative marketing had* enabled it to push operating profits up from £2m to £10.9m.

The discrepancy arose as British Rail published its annual results for the year to March using new accounting *standards that boosted the* group's profit and loss account by more than £100m.

Under the old accounting system, the recession-stricken *railway would have reported* pre-tax losses going up from £144.7m the previous year to £250m-£300m – the group's worst financial performance since 1985.

Under the new system, intended to bring BR's results more into line with normal commercial practice, group pre-tax losses appear as £163.9m compared to a restated loss of £24.6m the previous year.

BR used the new accounting *system to calculate InterCity's* operating profit. But InterCity separately announced its results under the old accounting system, which appeared to *show a profits increase.*

The opposition Labour party and trade unions accused BR and the government of using "accountant's sleight of hand" to make the results look better in the run-up to the railways' privatisation.

Observer, Page 17
Lex, Page 18

Nissan UK director jailed for 8 years

By John Mason, Law Courts Correspondent

MR MICHAEL Hunt, the *managing director of Nissan* UK, the former West Sussex-based car importers, was yesterday jailed for eight years at Southwark Crown Court for his part in Britain's largest ever tax fraud.

This followed his conviction *last Saturday for conspiring to* defraud the Inland Revenue of £55m in corporation tax by helping to artificially inflate freight charges for Nissan cars imported to the UK from Japan. When interest is added, the total loss to the public purse from the fraud is esti*mated to be over £87m.*

His co-defendant, Mr Frank Shannon, a former finance director with the Worthing-based company, was sentenced to three years imprisonment after admitting, before the trial began, to one offence of cheat*ing the revenue.*

Sentencing Mr Hunt, the trial judge, Mr Justice Gatehouse, said the offence was "in a category of its own. You realise that this is an offence which is so serious that only a custodial sentence is appropriate. An immediate custodial *sentence which is bound to be* a long one".

Sentencing Mr Shannon, the judge said his offence – helping to defraud the revenue of £17m over a one year period between November 1985 and October 1986, was a less seri*ous crime. He* also gave him credit for his guilty plea and his co-operation with the Inland Revenue.

During the two month trial the prosecution said the fraud was by far the largest ever perpetrated on the Inland Revenue. The "prime mover" behind the fraud, it alleged, was Mr Octav Botnar, the com*pany's chairman who remains* in Switzerland.

The Inland Revenue will now *start civil proceedings to* recover some of the £87m from Mr Hunt. Mr Shannon has already reached a settlement with the revenue, having agreed to repay £10m. Both were barred from being company directors.

Britain in brief

Police attack radical plan for force

The *government* was warned by the Police Federation yesterday that it risked "open conflict" with the police service if it adopted radical proposals for changing pay and conditions.

Recommendations from a government-appointed inquiry chaired by Sir Patrick Sheehy, chairman of BAT industries, constitute one of the most radical packages of change ever proposed in the public sector. It would lead to all police officers being employed on limited-term contracts, with pay related to individual performance and the demands of particular jobs.

The Police Federation, which represents all officers up to the rank of chief inspector, said the recommendations would turn police work from a vocation into a "job like any other job". That would have serious implications for the way *the service operated.*

Mr Michael Howard, home secretary, will decide what action to take in September.

Coal output rises by 23%

Productivity at British Coal has risen 23 per cent over the last year. Output is now 8.5 tonnes a man-shift. Mr Neil Clarke, chairman, said improved efficiency was the best way of ensuring a future for threatened pits.

Sick leave levels cut

The number of days council workers in London take off sick has dropped by a third over the past year, following an investigation by the Audit *Commission, the public sector* efficiency watchdog.

A highly critical study by the commission, published in 1990, found that sickness absence averaged over two-and-a-half times the national norm in the 10 London councils studied *in detail.* The cost of this excessive absenteeism was calculated at £25 a head for each local taxpayer within the councils' boundaries.

The follow-up report *found* that time off has been cut from an annual average of 16.7 days per employee in 1990, to 11.5 days in 1991-92.

Public spending proposals

Higher spending on education and reductions in key areas of social security spending were urged yesterday by the Confederation of British Industry. The suggestions are part of a plan to help industry while cutting *the £50bn government deficit.*

The employers' body called for phased reductions in public spending over the next three years, bringing the total in 1996-97 to £10bn less than the government's target.

Within the total, spending on training, export support and transport infrastructure should be protected from cuts, while outlays in areas such as child benefit and unemployment pay *should be targeted more to* needy people. The ideas are part of a CBI plan to reduce the gap between government spending and income from an expected 8 per cent of gross domestic product this financial year to 3 per cent by 1996-97.

Insurer cuts export costs

Punitive credit insurance premiums on exports to Argentina and Lebanon are to be cut from today by NCM, the leading credit insurer in the UK.

The company says the cuts are the first ever, and are intended to aid Britain's export effort.

Analysis pointing to lower risks of default means that premiums currently at 6 per cent for Argentina are being cut to 3.5 per cent. For the Lebanon, the cut is from 6.33 per cent to 4.5 per cent.

Relaunch for business school

Manchester University has persuaded Sir Terence Burns, permanent secretary to the Treasury, and Mr James Ross, chief executive of Cable & Wireless, to help re-establish Manchester Business School's reputation after last year's row over its future.

Both will serve on the *school's new board, with Mr* Ross as chairman. The board's predecessor body – a council of 14 business leaders and former Whitehall mandarins – resigned 13 months ago amid recriminations about the structure of the school.

The new board's *first job* will be to address a deficit at the previously profitable school. Financial health partly depends on reputation, which in Manchester's case ranks with Harvard in the US, Insead in France, and London and *Cranfield in the UK because of* the quality of its postgraduate management education.

Documents leaked to the Financial Times show a deficit of £326,700 at the end of March – £706,700 worse than a then-budgeted surplus of £380,000.

Aerial spraying policy defended

Mr Chris Harris, head of the Department of Transport's Marine Pollution Control Unit, defended the practice of aerial spraying when the government's contingency plans came under scrutiny at the *Donaldson inquiry yesterday.*

The hearing is looking at the implications of the Braer oil spill off Shetland and has examined the government's strategy which relies on aerial spraying when oil pollution threatens the coast.

Questioned by Lord Donaldson, chairman of the hearing, Mr Harris insisted that there was international agreement that chemical dispersants were *an effective way of breaking* up oil spills.

The inquiry learned that the transport department spends more than £3m a year on *seven Dakota* aircraft which are on standby to deal with big oil pollution accidents.

Many teachers 'unsuitable'

One in 10 newly-qualified teachers is "unsuited to teaching", according to the Office for Standards in Education.

In its first report on the standards of new teachers since taking over from Her Majesty's Inspectorate earlier this year, Ofsted said the finding "raises the crucial question of how these students were selected for training, allowed to complete *their course suc*cessfully, and gain appointments".

The National Union of Teachers attributed the high *proportion of unsuitable candi*dates joining the profession to the high level of unemployment. "The difficulty in getting a job now would persuade many people to stay in the profession, even if they are not suitable."

MANAGEMENT: MARKETING AND ADVERTISING

John Authers looks at the motives of big companies which sponsor educational course material

Get 'em young

Marketing managers looking for a wide audience need look no further than school classrooms. In England and Wales, around 35,000 schools teach 7m children.

This fact has not gone unnoticed. Glossy curriculum materials sent to schools in recent months include a history of the tea trade, produced by a consortium of tea companies, a fact-pack on the war in the Atlantic, produced by the Royal Navy, and "Chance and Change", a guide to mathematics and how it can be applied to personal finances, prepared by Pearl Assurance.

Although companies have been providing teaching aids on a limited scale for years, schools have not traditionally been regarded as a fertile ground for promotional activities. But the introduction of the national curriculum over the last few years is beginning to change that.

Martin Skelton, of the Ipswich-based educational sponsorship company Fieldwork, gives two reasons for this.

First, the curriculum has prescribed what children across the country should study in much more detail than ever before. This makes it easier for companies to prepare material which they can be confident will fit in with children's scheme of work.

Second, according to Skelton, the degree of prescription has made teachers keener to embrace anything which varies the standard educational diet.

Done well, educational sponsorship works excellently for all concerned. Hard-pressed schools are provided with useful material which helps children, while companies demonstrate their caring credentials.

BP Oil UK, which spends around £500,000 annually on educational material, says: "The reason it's done is a mixture of concern for BP's overall reputation as a responsible corporate citizen, and a genuine concern for relevant educational development."

The material can also educate tomorrow's customers in ways which might help the companies' products in future (explaining maths, for example, just might make complicated investment products easier to sell) and establish a brand name at the same time.

Some companies use it as an aid to recruitment. For example, J Sainsbury, the retailer, produces a series of worksheets about the "days in the life" of different workers in retailing.

The company's policy is: "We are a major employer, so it's very important for us to have people coming out of the schools system with the sort of skills, abilities and interest in business that we need."

Some 82 per cent of schools accept help from businesses in curriculum development

Teachers are alive to the possibilities of corporate help. The Department for Education's figures on school-business links show that 82 per cent of schools accept help from businesses in curriculum development.

Responses to a questionnaire sent by Pearl Assurance to all schools which requested its mathematics package found that 77 per cent of schools had found some material from companies very or quite useful. Most of the respondents said that companies did have a role to play.

However, Skelton makes it clear that the work has to be done well. "Our main premise is that any material has to be credible with teachers. Otherwise they will probably throw it in the bin," he says.

This fate is likely to befall teaching aids which include a sprinkling of corporate brand-names. Companies cannot afford to be blatant. Rather, the aim should be simply to be seen to have sponsored the work, according to Skelton.

Jackie Miller, deputy general secretary of the Professional Association of Teachers, believes that companies are sailing close to the wind.

"There have always been one or two very poor primary schools which have been terribly grateful for anything they can get. I am not sure they have perceived until now the extent to which it's a barbed hook. Some of the larger schools see precisely what the companies are offering and dislike it."

Any material which arouses that kind of emotion will be counter-productive. The National Consumer Council's guidelines now suggest that all material should be tested in schools before it is distributed, and this is as good an idea for the sponsors as for the educators.

Product placement has to be handled sensitively if the material is to be used by teachers. Andrew Miller, research and development director of the University of Warwick's School Curriculum Industry Partnership, points to at least one blatant example which overstepped the mark – Weetabix.

Two years ago, Weetabix developed a series of school books, including a history book, in conjunction with the Oxford University Press.

The sponsorship was rammed home to children in the illustrations, which depicted all the historical figures it covered as bars of Weetabix, dressed in the appropriate costumes. According to Miller: "When something strongly branded like Weetabix is used in a subliminal way that's not good practice."

A subtler example comes from Pearl's series of worksheets. They include the question: "Find out what companies like Pearl do with the money that people pay in so that they can pay out so much more than was invested in the first place?" This is scarcely harmful, but mathematics teachers might be unimpressed.

Oil companies are prolific producers of curriculum material, with both Esso and BP providing formidable batteries of support-aids, particularly for science and technology.

Both, however, take the opportunity to counter bad publicity about pollution. For example, Esso publishes a pack detailing the clean-up of Alaska following the Exxon Valdez spillage, which some might think dwells disproportionately on how the area has now recovered. This kind of material is valuable, but may fall prey to teachers who disagree with it.

Marketing experts say there is little point in designing material "in-house". Their advice is that textbooks and worksheets are best compiled by people with educational experience, and tested in classrooms before distribution. Material which passes the stringent tests of both teachers and pupils then has every chance of forming part of an effective marketing strategy.

Liberté, fraternité and soon, equity

Alice Rawsthorn on the selling of the Balladur bond

Cue stirring music, softly focused images of muscular construction workers and a sonorous voiceover adjuring the French to "show confidence in our great country" and to rise to the "challenge of proving that France can wake up again".

The casual viewer could be forgiven for thinking that this was a party political broadcast left over from this spring's parliamentary elections, an early bid by one of the candidates for the 1995 presidential poll, or even a Foreign Legion recruitment film.

It is a television commercial for the Balladur bond, the new French government's special bond issue, with which Edouard Balladur, the conservative prime minister, hopes to raise FFr40bn (£4.8bn) to fund his economic regeneration schemes.

The main aim of the commercial, the lynchpin of a FFr25m "Invest In Our Future" advertising campaign, is to sell the bonds. But it also has the objective of persuading the French to transfer some of the cash now in savings accounts and money market funds first into bonds and then into shares once Balladur's FFr280bn-FFr360bn privatisation programme starts in September.

"This is pragmatic advertising," says Nicolas Monnier, chairman of Alice, the agency behind the campaign. "We want as many people as possible to buy Balladur bonds, but we also want to encourage them to start thinking about participating in the privatisation issues."

The unalloyed patriotism of the Balladur bond advertising contrasts with the frivolous tone of the current UK promotion of the third round of BT's privatisation. Featuring the comedian Mel Smith, the TV and poster campaign is part of a long British tradition of humorous advertising.

The private investor is an important target for the BT sale, but at least the UK government knows that the issue will interest the country's large pension funds.

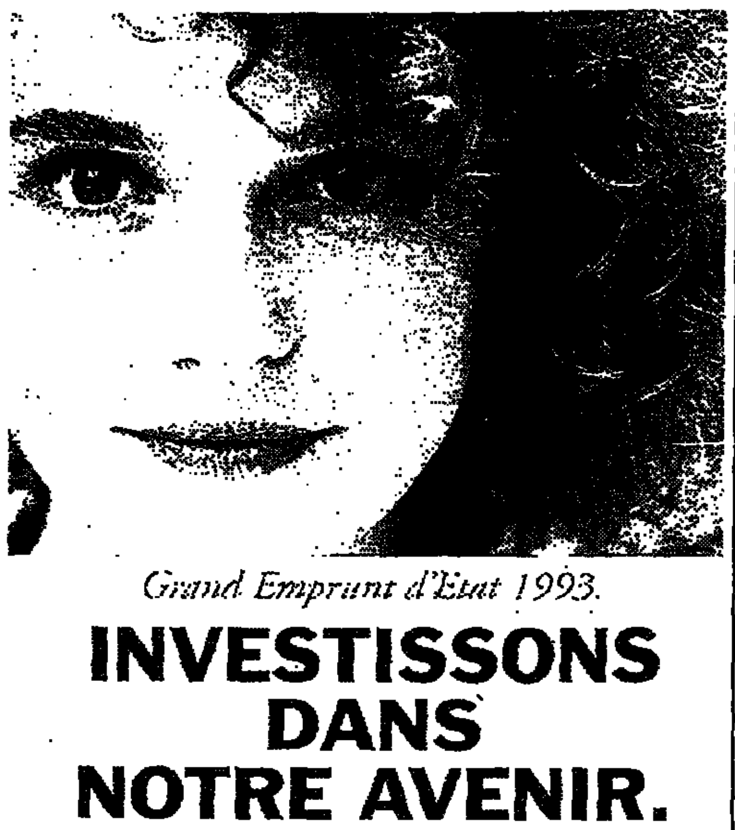
The Balladur government has no such luxury. There are no pension funds in France because of the state's stranglehold on the pension system. There are also fewer individual investors than in the UK. The shareholding population doubled to more than 5.5m in the last privatisation drive from 1986 to 1987, but has since shrunk to 4.5m, partly because of the October 1987 stock market crash.

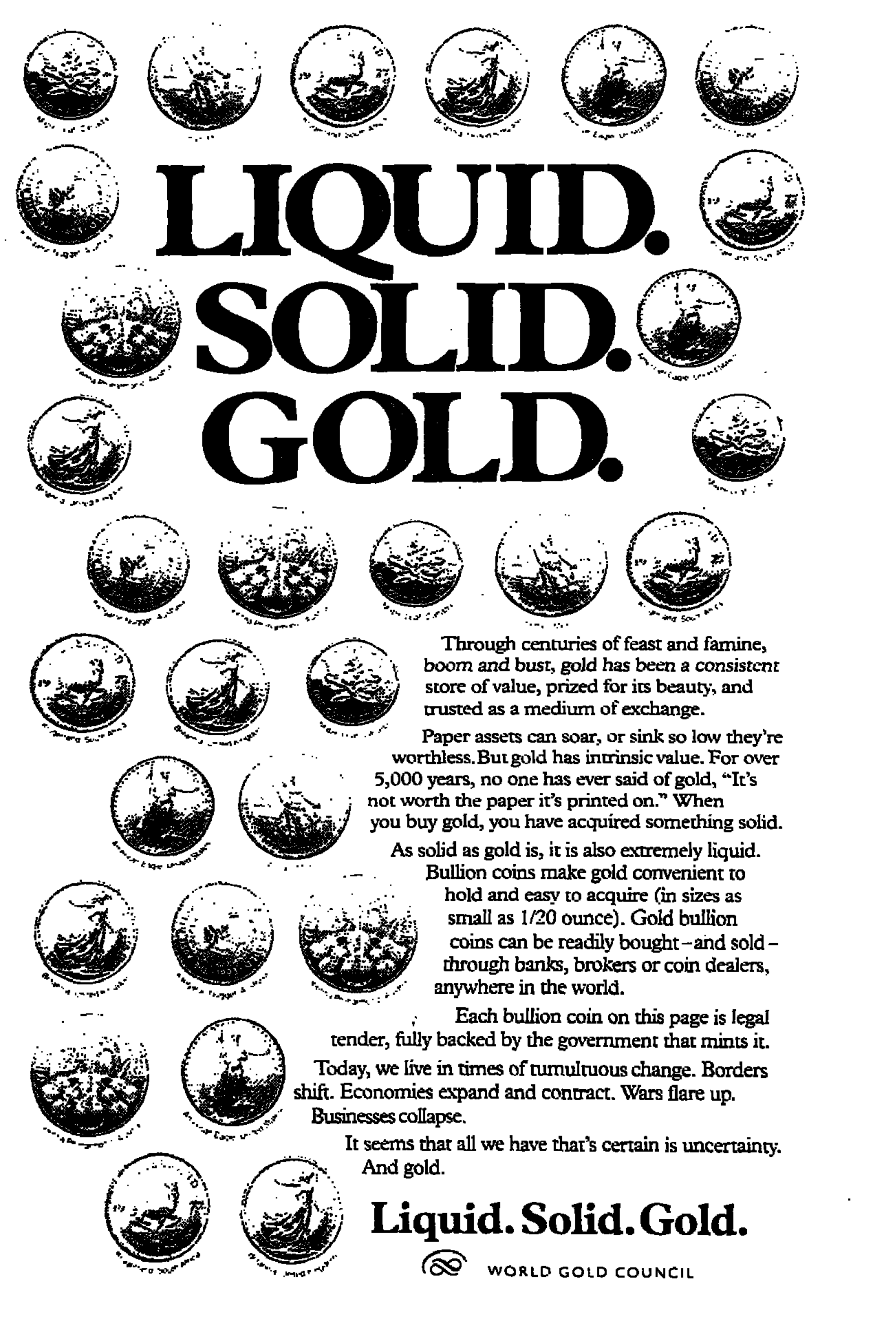
When he launched the issue last week, Edmond Alphandéry, economy minister, was at pains to emphasise that, as a government issue, the bonds were "absolutely secure". His team has also devised a string of incentives, including tax breaks and equity plans, to persuade investors to convert their Balladur bonds into privatisation shares.

At present the government does not plan to launch a generic campaign to promote the privatisations. The individual share sales will be publicised by the companies concerned, such as Rhône-Poulenc and Elf Aquitaine. This means that the bond advertising will play a critical part in shaping public opinion in the approach to the privatisation drive and the Balladur government decided to spend far more heavily on promoting the issue than its predecessors did for the Giscard bond in 1973 and the Barre bond in 1977.

The Balladur bond advertising campaign is in two parts. The television commercial is intended to set the scene by raising public awareness of the government's plans for the bond and for privatisation. The radio and press advertising offer more detailed information about the financial attributes of the bonds and how they can be converted into shares.

So far the issue seems destined to be a roaring success. Economists expect it to beat Balladur's FFr40bn target. It remains to be seen whether privatisation candidates will follow the government's lead by trying to persuade people to buy shares to help the economy, rather than just to make money.





LEGAL NOTICES

PEOPLES JEWELLERS LIMITED

NOTICE OF SPECIAL MEETINGS OF SHAREHOLDERS AND CREDITORS

NOTICE IS HEREBY GIVEN that, pursuant to the amended and restated order (the "Order") of the Ontario Court of Justice (General Division) (the "Court") dated June 23, 1993 authorizing Peoples Jewellers Limited ("Peoples") to seek approval of a plan of arrangement and compromise (pursuant to section 182 of the *Business Corporations Act* (Ontario) and the *Companies' Creditors Arrangement Act* (Canada)) filed with the Court in amended form on June 23, 1993, and as the same may further be revised, amended, modified or supplemented from time to time, (the "Plan") special meetings of the classes of the shareholders and creditors of Peoples established by the Order for the purpose of voting on the Plan are to be held. Such special meetings of the classes of shareholders of Peoples consisting of the Class A Non-Voting Shareholders, Common Shareholders and First Preferred Shareholders, and special meetings of the classes of creditors of Peoples consisting of the First Mortgage Bondholders, the Capital Lease Creditor, the Unsecured Creditors, the Landlords, the Zale Claimants and the Bank Creditor, will be held (i) conditional upon the continuance of Peoples under the *Business Corporations Act* (Ontario), to consider and, if thought fit, to pass, with or without variation, a special resolution or resolution, as the case may be, to approve the Plan, and (ii) to transact such other business as may properly come before the special meetings or any adjournment thereof, in Toronto, Ontario, Canada in the following locations, on the following dates and commencing at the following times:

Shareholders' Meetings	Location	Date	Time
Class A Non-Voting Shareholders	Sheraton Hotel(1)	July 29, 1993	1:00 p.m.
Common Shareholders	Sheraton Hotel(1)	July 29, 1993	2:00 p.m.
First Preferred Shareholders	Sheraton Hotel(1)	July 29, 1993	3:00 p.m.

Creditors' Meetings	Location	Date	Time
First Mortgage Bondholders	Stikeman, Elliott(2)	July 30, 1993	8:00 a.m.
Capital Lease Creditor	Stikeman, Elliott(2)	July 30, 1993	8:30 a.m.
Unsecured Creditors	Sheraton Hotel(1)	July 30, 1993	9:00 a.m.
Landlords	Sheraton Hotel(1)	July 30, 1993	10:30 a.m.
Zale Claimants	Stikeman, Elliott(2)	July 30, 1993	12:30 p.m.
Bank Creditor	Stikeman, Elliott(2)	July 30, 1993	1:00 p.m.

(1) Sheraton Hotel, Essex Room, 123 Queen Street West, Toronto, Ontario, Canada.
(2) Stikeman, Elliott, Suite 5300, Commerce Court West, Toronto, Ontario, Canada.

DATED: Toronto, Ontario, Canada, June 28, 1993.
PEOPLES JEWELLERS LIMITED

TECHNOLOGY

The commercial opportunities for gene therapy are growing by the minute, reports **Victoria Griffith**

A market that could spiral

Bolstered by government approval for a number of clinical trials in the US, gene therapy – the process of re-encoding the DNA in cells – is on the verge of commercialisation.

Once confined to scientists' laboratories, gene therapy is now a defined and growing industry. New companies in the sector are springing up all over the US and a number have obtained approval from the federal Food and Drug Administration to conduct clinical trials on treatments for diseases ranging from cystic fibrosis to brain cancer.

One of the first human trials approved for gene therapy, a treatment for ADA (or "bubble baby" disease), which causes children to be born without an immune system, was launched three years ago, and has shown promising results. If clinical trials on other diseases go as well, companies in the sector say they may be marketing products as early as 1997.

"The concept of using genes as drugs is revolutionary and will greatly expand possibilities for treating various diseases," says Ronald Crystal, a professor at Cornell University medical school and an authority on gene therapy. "The commercial opportunities are very exciting."

Gene therapy is a spin-off from biotechnology. But whereas biotechnology makes use of synthetic proteins as drugs, gene therapy aims to change the DNA structure of cells so that they will produce therapeutic proteins in the body. Originally seen as a way of addressing congenital gene deficiencies, such as those that lead to cystic fibrosis and haemophilia, gene therapy is now being considered for possible use in the fight against cancer, Aids and cardiovascular diseases.

As the link between specific genes and diseases becomes more evident, the applications for gene therapy broaden

The expanded focus not only makes the approach more promising from a medical standpoint; it also increases the commercial potential of gene therapy products.

"The market size for gene therapy will be defined by the disease targets," says Marc Schneebaum, chief financial officer of Genetic Therapy, a leading gene therapy group. "There are only a 100 or so patients in the US with ADA disease. But there are 30,000 with cystic fibrosis and millions of Americans contract cancer every year."

As the link between specific genes and diseases becomes more evident, the possible applications for gene therapy broaden.

"More genes are being discovered to be the cause of certain diseases, which means that gene therapy may be used to treat a wide range of illnesses," explains Alain Schreiber, president of the gene therapy group Vical. For instance, non-small-cell lung cancer – the most common form of lung cancer – has now been associated with the inactivity of a gene that normally suppresses tumour growth.

To get the recombinant DNA sequences into the target cells, researchers rely on carriers such as crippled retroviruses. These inactive viruses invade the cells and alter their DNA structure. The use of these viruses, though, has caused some concern about possible side effects. "Retroviruses are known to undergo a recombination if a helper virus is around," says Schreiber. "They are always risky."

As a result, some researchers have switched to adeno viruses – the class of viruses that causes common diseases such as colds – as a safer bet. "The problem with these is that they are very promiscuous," says Schreiber. "They are difficult to control."

Vical has turned to liposomes – tiny globules of fat – as an even safer, though less effective, means of gene transfer. In the UK, too, researchers are tending to favour liposomes rather than viruses. "The impact may not be as long-lasting, but that may be desirable. If a therapy is temporary, it's much easier to control in case something goes wrong," says Schreiber.

Despite its promise, gene therapy faces a number of hurdles on the way to the medical marketplace. The most pressing problem is how to get the treatment into the patient.

Because of the risks involved, most gene therapy trials continue to rely on an ex vivo approach, by which cells are removed from the patient's body, treated, then reintroduced after a period of monitoring.

One company – Genetic Therapy – has moved to in vivo trials for its brain cancer treatment, treating cells in the body of the patient. The company asserts that the process is safe, since the carrier virus attacks only rapidly proliferating tumour cells. However, a great deal of concern lingers over in vivo treatments.

"In vivo gene therapy is much riskier than ex vivo," says David Carter, president of the group Somatix Therapy. "Outside the body, you can monitor the effects of the treatment. Inside you can't. What if the virus invades the wrong cells? If it does, it could cause genetic modification."

Some observers argue that because gene therapy is being used to treat a number of fatal diseases, the risks are relative. "When you're talking about a brain cancer patient who has maybe nine months to live, the risks seem less important," says Schneebaum.

"Radiation and chemotherapy, the methods commonly used now, are known to have serious side-effects. Our brain cancer treatment, although it may have risks, has not yet been shown to have any side effects at all."

Ex vivo therapy may be safer, but because it is far more difficult to administer, its commercial potential is limited. "Clearly, ex vivo treatment is pretty cumbersome for any mass drug, since it can't be bought in a drug store, or even obtained at a doctor's office," says Alan Smith, head of the genetic therapy programme at the biotechnology group Genzyme. "Eventually, the form of treatment for gene therapy will have to change if it is going to be widely available."

Another problem for the sector is obtaining intellectual property rights. The FDA has sent mixed signals on the viability of patenting gene therapy products. Although the industry has applied for a number of patents, few have been issued. "There are controversies about the patenting of gene segments, and clearly this is a major concern for the sector," says Schneebaum.

Financing is another hurdle. When biotechnology got under way in the 1970s and 1980s, Wall Street and venture capital groups were only too willing to finance start-ups. Gene therapy also appeared attractive to investors about 18 months ago. The venture capital market has now almost dried up, though, and the uncertainty surrounding the Clinton administration's health reform programme is making it difficult for all pharmaceutical groups to raise capital.

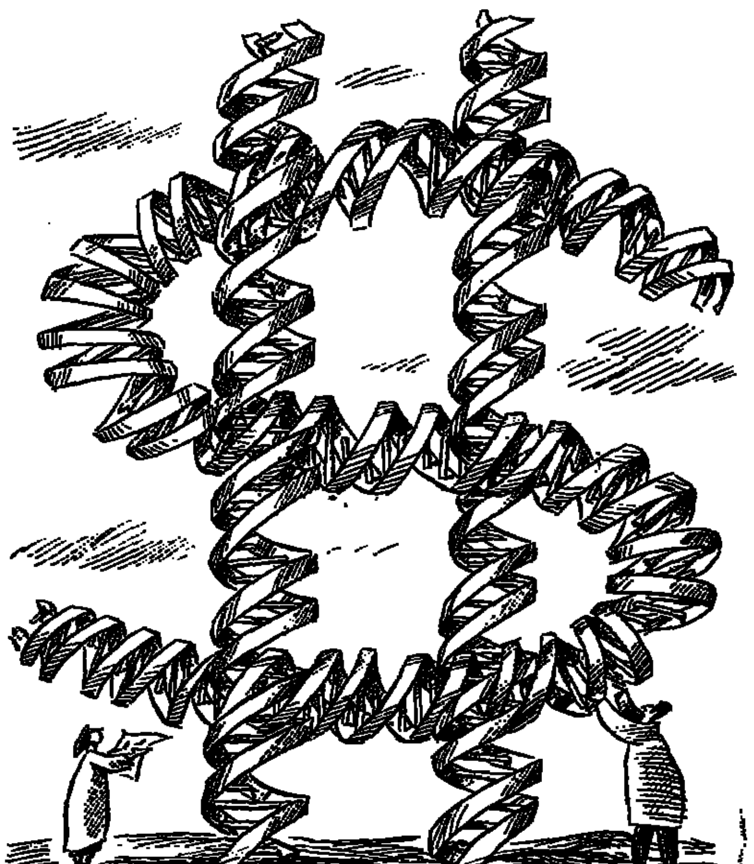
Like biotechnology groups in their early years, some gene therapy groups have turned to licensing agreements with larger pharmaceutical groups to obtain financing for research and development. Still, licensing may not be a solution for everyone. "We want to obtain financing, but we don't want to give away the store," says Stewart Parker, president of the gene therapy group Targeted Genetics.

Many observers see a number of parallels between the position of gene therapy today and the position of biotechnology groups 10 years ago. "A lot of gene therapy groups are where the Amgens and Genetechs were in 1983," says Fernando Quezada, executive director of the Biotechnology Centre of Excellence in Boston.

Despite the scientific and business similarities between the two fields, there is strangely little cross-over. Biotechnology groups Biogen and Chiron say they are looking into gene therapy but the only group with any actual commitment to the new field is Genzyme.

"It may be that most biotechnology groups, which are facing a number of risks already, see gene therapy as an added uncertainty," says Smith. "We see it as an exciting opportunity."

As in the biotechnology industry, the road to commercialisation will probably be riddled with potholes, but as the gene therapy industry matures, more believers are betting that the new approach will only offer important medical advances but generate profits as well.



Telecoms gets in on high-wire act

By Della Bradshaw

A radio-controlled robot, looping along the power cables between electricity pylons, is helping the UK's power distribution company, National Grid, to build a nationwide telephone network in record time.

Energis, the telecommunications arm of the National Grid, expects to offer a long-distance phone service to 70 per cent of the population of England and Wales by April next year, only 11 months after being awarded a telecommunications licence.

Energis does not have to dig up the roads to lay the cable, nor get planning permission for telephone poles or ducts. Instead, it is exploiting its investment in the electricity pylons – or "towers" as they are known in the trade – which span the country.

Fibre-optic cables, which will form the backbone of the new network, are being wound around the earth cable – also known as the ground wire – which is the cable looped from the top of the pylons. Heath Robinson-like machines which lash the fibres around the cables move at the rate of one metre per second, providing swiftest installation.

Focas, part of the Cookson Group, which is the major supplier of the wrap-around fibre, is supplying similar systems to electricity generating companies as far afield as Scotland and Hong Kong, the US and Scandinavia. They are being used by the electricity companies either to carry their own internal communications or for services to sell on to customers.

Focas managing director Ray Grimwood believes it is the regulatory environment and the culture, not the technology, that is preventing other electricity suppliers from following suit. As well as providing rapid competition to monopoly phone companies, such systems could also provide phone services to any rural area with a power supply. Eastern European countries and China, for example, could be big beneficiaries.

Electricity suppliers have three technical options in choosing a phone network to link in with their electricity supply. The first is to wrap the fibre round the earth cable, which is a swift and relatively cheap option if the earth wire is new and will remain in place for several years.

If the earth wire is old and due to be replaced, power companies often prefer the second option: replacing the earth cable with one which incorporates the power wire and the phone wire in the same plastic sheath. Such systems are also useful if the electricity company is extending its power network or in countries which lack both electricity and phone services.

The third option is to drape the optical fibre cables between the pylons. The simplicity of this scheme brings its own problems, despite years of work on the technology by optical fibre companies. Energis, for example, rejected the self-supporting draped cable because it believed that the cable would be physically damaged if used in close conjunction with its high-capacity transmission lines.

Developing the wound cable was not easy either. Looped round the earth wire, the cable has to withstand ultra-violet radiation and snow. The earth wire is also designed to take lightning strikes, when the temperature can rise in a flash to 200°C or 300°C. So Focas had to develop a specially cured cross-linked polyethylene jacket to ensure that the weather does not affect services.

Today each fibre installed by Focas can carry 565Mbit/s of information – enough to allow, say, 8,000 simultaneous voice conversations, 8,000 pages of text a second and 10 colour video signals to be sent on a single pair of cables.

PEOPLE

Carter for CU

Tony Brend can take some pride in the fact that he will leave Commercial Union, the UK's biggest insurer, in a better state than when he took over the job of chief executive in 1986. CU had suffered consecutive years of losses when Brend was called in from the group's US subsidiary and it was regarded as the fallen star of the industry.

Brend retires at the end of this year – just five months before his 60th birthday – with CU, widely recognised as the most successful of the UK insurance companies.

John Carter, 55, (right) will take over the top job. Carter, a mathematician and actuary, has been an integral part of Brend's senior management team since 1987, along with Tony Wyand, finance director.

"We've been very pleased we have managed to make a change," says Brend, who says he will leave the "ship in good order". No change to CU's established strategy, which focuses heavily on increasing the size of life insurance business, is anticipated.

Brend says he is "not ingrained with the City and its foibles", does not maintain any business activities and will retire to the country, pursuing interests in military history and archaeology.

He will also travel a good deal, visiting Australia as well as the 18 countries "where he hasn't yet slept". With Brend planning a trip to the Baltic states in the summer, that number should soon be reduced to 15.

SIB poaches solicitor

The Securities and Investments Board has appointed Mr Guy Sears, a solicitor with City law firm Denton Hall Burgin & Warrens, to the newly-created position of head of enforcement litigation.

Civil litigation is a growing part of SIB's enforcement activities. There have been 46 cases in the last five years involving injunctions, restitution orders and compulsory liquidations under the Financial Services Act.

The growing case load prompted SIB to develop the capacity to handle the work in-house. Until now it has relied on law firms such as Denton Hall to do the litigation work for it.

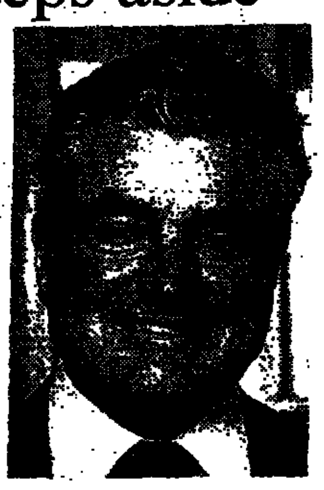
Mr Sears has done several cases for SIB and has considerable experience in insolvency litigation, making him a natural choice, a former colleague at Denton Hall said.

Mr Sears, who will join SIB's legal division today, said that over the next two to three years he hoped to build up SIB's capacity to handle all but the very largest cases in-house.

By moving to SIB he has given up the chance of high future earnings as a partner in a lucrative City law firm, but, confessing to ambitions in the regulatory field, he said he had never viewed law firm partnership "as the be-all and end-all".

Just 32, he came late to the law having read natural sciences at Jesus College, Cambridge, qualifying as a solicitor in 1987. Law, however, runs in the family. His father is a judge in Hong Kong.

Sir Tom steps aside



Sir Tom Cowie, (right) one of Britain's longest serving chairmen, is to call it a day. After 45 years as chairman of T Cowie, the Sunderland-based motor dealer, Sir Tom has announced that he plans to step down from the board at the end of the year and take the title of life president.

Sir Tom, who will turn 71 in September, founded his business around a motor cycle repair shop in Sunderland and the boardroom still stands on the spot where Sir Tom once repaired motorcycles.

He brought his company to the stock market 30 years ago and it has grown into one of Britain's top four motor distributors, employing over 3,500 people, with a turnover in excess of £800m.

Sir Tom only split his role in 1991, appointing Gordon Hodgson, 61, as chief executive. It is unlikely that Hodgson will move up to be chairman and the group is looking to appoint an independent non-executive chairman designate. Lord Elliott of Morpeth, a former Conservative MP, is the company's only non-executive director and the intention is to recruit two more.

Financial and insurance moves

■ Ken Lewis has been appointed director of the CO-OPERATIVE BANK, responsible for human resources, legal services, group property and group quality.

■ Stephan Collins has been appointed a senior vice-president of PARIBAS ASSET MANAGEMENT to cover northern European marketing out of London. He joins from UBS Phillips & Drew International Investment.

■ Adrian Coates has been appointed director of WARRIOR INTERNATIONAL.

■ Crispian McCredie has been appointed as marketing director of SBC Portfolio Management International Limited.

■ David Kerr and Sheena Harding have been appointed directors of INTERCAPITAL COMMODITY SWAPS.

■ Nick Becker has been appointed by MINET as md of its marine energy division and a director of international broking.

Audit watchdog appointments anger councils

The latest two appointments to the Audit Commission have put noses out of joint among local authorities.

The two appointees – Sir Peter Kemp, formerly second permanent secretary at the Cabinet Office, and Ms Kate Jenkins, who was head of the prime minister's efficiency unit from 1986 to 1989 – have distinguished governmental careers behind them but neither has experience of local government.

The Labour-controlled Association of Metropolitan Authorities argued against the appointments when it was consulted. A spokesman said: "We are not happy about this. People with experience of local government are under-represented."

The number of commissioners on the local government watchdog has recently been enlarged to 18. However, only five have local experience, according to the AMA – the same number as in 1991, when there were 14 commissioners.

Both appointments are effective from today for a term of three years. They were made jointly by the environment secretary, Mr John Gummer, the Welsh secretary, Mr John Redwood, and the health secretary, Mrs Virginia Bottomley. Accountancy professions, employers' organisations and trade unions were also consulted.

FINANCIAL TIMES SURVEY

GERMAN BANKING AND FINANCE

Thursday July 1 1993

FRANKFURT is now the undisputed financial capital of Germany. Is it on the verge of becoming the financial capital of Europe?

German financiers, industrialists and politicians hope that Frankfurt will be formally anointed in this role sometime later this year, when European Community countries finally make up their collective mind where to locate the future European Central Bank.

But to a large extent, whether the new institution is to be located in the city or not, Frankfurt already occupies the position of Europe's financial capital – because of the authority of the Bundesbank.

Mit Beharrlichkeit – "with ruthless determination and single-mindedness," as they say in Germany – the Bundesbank has fought a successful battle with inflation for decades. Hence its unmatched credibility in the financial world.

Since last autumn, when the Bundesbank's refusal to give way to widespread calls for cheaper money led to turmoil on international currency markets and to the partial break-up of the European exchange rate mechanism (ERM), that credibility has weakened.

Germany is wrestling with a deep recession. It is belatedly counting the cost of the 1990 reunification of the two halves of the country. Inflation is running at an annual rate of about 4 per cent; more than twice the central bank's target of 2 per cent, and higher than in many European countries with less discipline in such matters.

In late June the D-Mark hit a 15 month low against the US dollar and the French took the opportunity to cut their rates to below German levels (the first time in 26 years that the French have been able to do so). French government officials talk about the possibility of the franc displacing the D-Mark as the anchor currency for the ERM. So far this has not happened. *De facto*, European interest rates are still set by the members of the Bundesbank council at their meetings on alternate Thursdays.

Calls from the French economics ministry late last month for "co-ordinated talks" with Germany over easing monetary policy received short shrift from the Germans. Theo Waigel, the finance minister, politely reminded the French that the Bundesbank's independence was inviolable and cancelled a planned meeting with his French opposite number in Paris.

Although interest rates have eased since last autumn (the discount rate is down from a high of 8.75 per cent in July last year to 7.25 per cent now, and is widely expected to be down to 5 or 6 per cent by the end of the year) there has been no great reversal of the huge flow of international money invested in the D-Mark in 1992-93. Economists calculate that foreign investors invested DM190bn in the D-Mark in the 14 months to the end of February this year, more than twice the level in 1991, the previous record year.

This inflow helped to propel a big rally in the price of German Bunds, where yields tumbled from over 9 per cent to a low point of 6.45 per cent in mid-April. Since then prices have dropped and the yield is back up at about 6.75 – but in spite of pessimistic forecasts, yields of 7 per cent or higher have not yet come to pass.

The influx also helped the profits of the Frankfurt-based financial community. While the impetus to record profits last year at the large commercial banks came from growth in lending business, trading gains and commission income from securities business are the reason for double digit increases in the banks' total operating profits over the early months of the year.

This has allowed banks to predict "satisfactory" earnings for the year as a whole, meaning that these big financial conglomerates – along with construction companies – count as one of the few sectors in the stricken German economy to be generating healthy profits growth at this point in the economic cycle.

The healthiness of banks' profits is exaggerated by the fact that they do not disclose their full exposure to bad and doubtful debts. Provisions are undoubtedly climbing – and will be revealed for the first time in some detail when the banks report their interim figures later this summer.

But whatever the true picture of banks' earnings, they are not on the verge of the structural crisis afflicting German manufacturing industry.

Notwithstanding predictions of a shake-out in Germany's banking community, the only real consolidation is in the public sector, with the Düsseldorf-based Westdeutsche Landesbank acting as catalyst to a series of mergers and new strategic alliances among state-sector institutions.

The German financial services sector as a whole, which encompasses regional financial centres in cities such as Munich, Düsseldorf and Hamburg, has benefited from a series of recent measures designed to strengthen *Finanzplatz Deutschland* – Germany as a financial centre.

These include the creation of Deutsche Börse, the German stock exchange – from the beginning of this year. This has been put together on the initiative of the Frankfurt exchange, the biggest of the eight exchanges in Germany, where about 70 per cent of total German securities turnover is conducted.

The new body brings the Frankfurt Exchange and the DTB Deutsche Terminbörse (the German futures and options exchange) together under the same roof as the Deutscher Kassenverein settlements organisation. Some 40 per cent of the new organisation is owned by regional (non-Frankfurt) banks and the seven regional stock exchanges (excluding Frankfurt).

According to Rolf Breuer, the first chairman of the German Exchange, this gives Germany one of the most modern stock-exchange structures in the world – the only exchange which brings equities and futures trading under the same roof as settlement services. The focus of future development will be on technology, to bring out the benefits of this structure; benefits which, Breuer admits, are latent rather than actual at present.

German financiers have laid heavy emphasis on technology. For example, they have spent tens of millions of D-Marks on the development of the screen-based DTB, founded only three and a half years ago, and on Ibis, a computerised share-dealing service for leading equity and fixed interest issues.

Since the service was introduced, in April 1991, this has become the second biggest exchange in Germany, accounting for 30 per cent of trade in leading German shares. According to Mr Rüdiger von Rosen, the outgoing chief executive of the Frankfurt Stock Exchange, Ibis has also succeeded in pulling back a significant amount of business in German shares from London to Germany.

But in the battle with other financial centres, German financiers recognise that the regulatory environment must be improved.

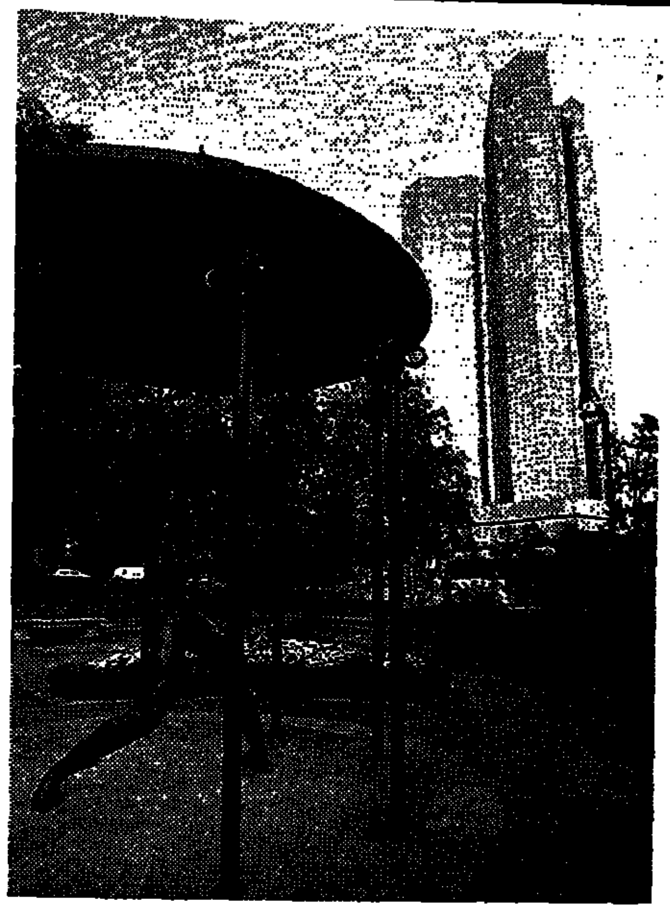
On the one hand this means a tightening of regulation. Next year Germany will finally get legislation which will make insider dealing a criminal offence, and create the German equivalent of the Securities & Exchange Commission, the body which regulates the US securities industry.

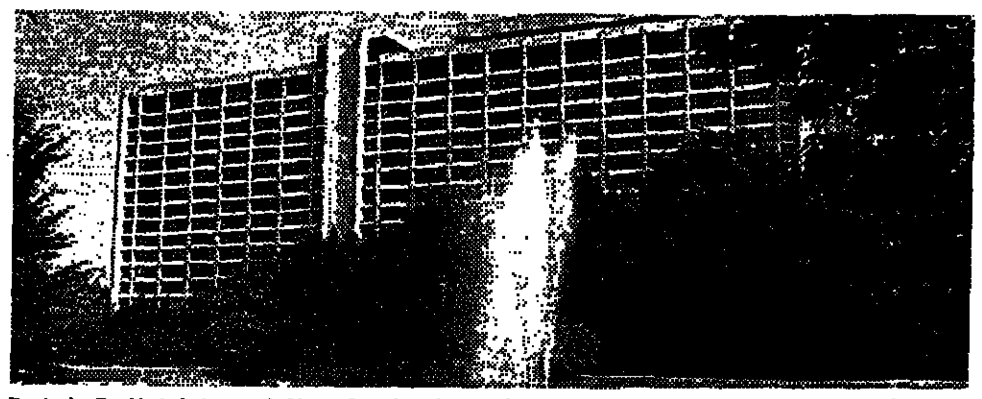
Calls for these measures have intensified since union chief Franz Steinkühler was forced to resign as head of IG Metall after he bought DM1m shares in a Daimler holding company shortly before the shares enjoyed a sharp increase in value.

He has denied insider dealing based on information gleaned from his former position as member of the Daimler supervisory board. But the affair highlighted the absence of law forbidding the practice.

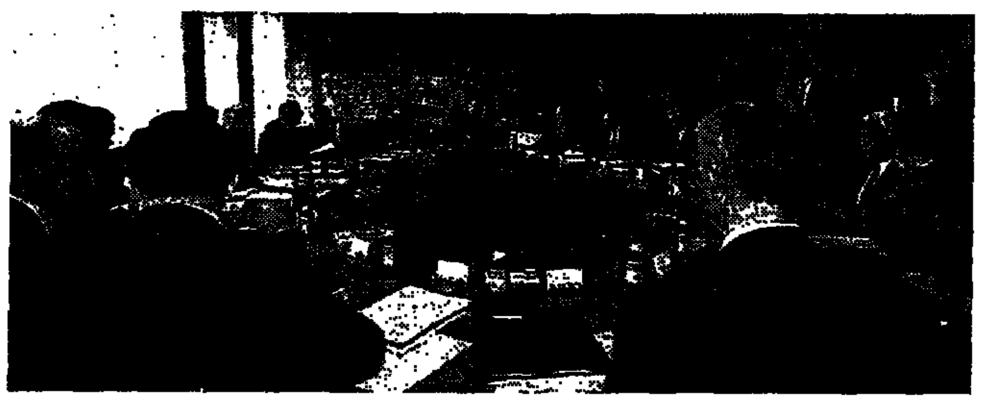
On the other hand, *Finanzplatz Deutschland* is clamouring for deregulation which will allow its institutions to compete more vigorously with their rivals in London or Luxemburg. The chief complaint is against minimum reserve requirements, which oblige banks to lodge funds with the Bundesbank whenever they take a deposit, making it difficult for them to compete with banks based where such reserves are not required.

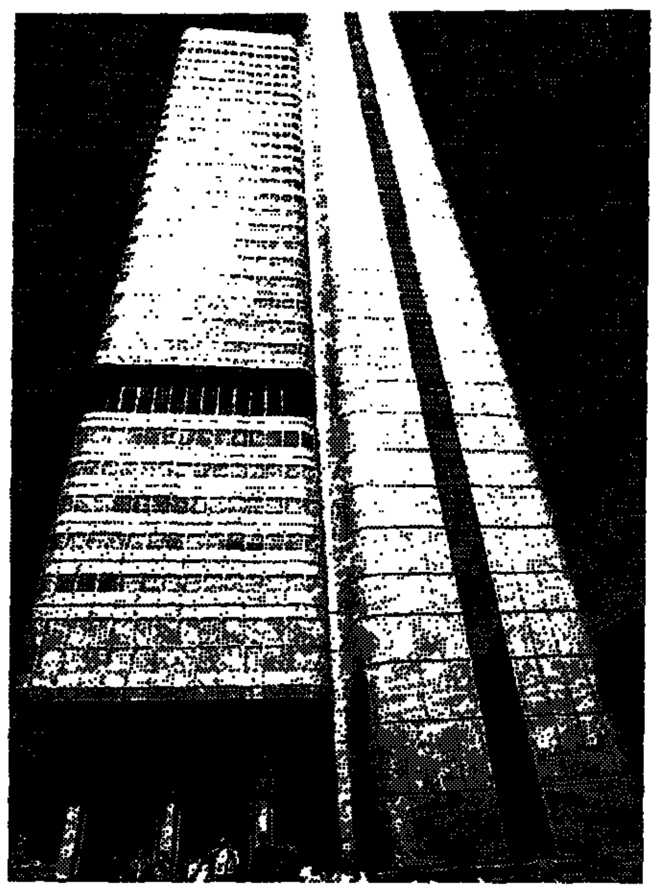
The Bundesbank obligingly halved the requirement earlier in February this year. It may do away with the requirements altogether after Mr Hans Tietmeyer succeeds Mr Helmut Schlesinger as president of the central bank on October 1.





Deutsche Bank's twin towers (left) and Dresdner Bank's single one (right) do not overshadow the Bundesbank, Germany's central bank (above), which pursues a path of rigorous orthodoxy in the deliberations of its council (below). It is said that Hans Tietmeyer, the next president, differs from his predecessor Helmut Schlesinger only in that Mr Tietmeyer prefers to take the lift rather than walk up the 12 floors to his Frankfurt office





Determined to give a lead in Europe

Financial services have escaped recession so far: bank profits are up, the Bundesbank is steadfast against inflation and the private sector strengthens Germany as a financial centre. **David Waller** reports

Christopher Parkes notes a friction-free transition at the Bundesbank

Team strategy unchanged

THE substitutes are warming up and will be on the field soon. One thing is certain: when they take over this autumn, team strategy will remain unchanged. As for tactics – that depends on the pressure from the opponents.

The recent confirmation of Mr Hans Tietmeyer as the next president of the Bundesbank and the nomination of Mr Johann Wilhelm Gaddum as his number two ensures a friction-free transition at the top of Europe's most influential central bank and a seamless continuation of the central bank's rigorous policy.

Mr Tietmeyer, it is said, differs only from his predecessor Mr Helmut Schlesinger in that he prefers to take the lift rather than walk up the 12 floors to his Frankfurt office. On the issues that matter – the stability of the D-Mark and the credibility of the Bundesbank – he could be a Schlesinger clone.

Mr Gaddum, his dry, low-profile vice-president, is more of an unknown. But in his current job in the Bundesbank directorate, in charge of money and credit, he has proved himself a skilled monetary manager – equally dedicated to the issues that matter.

Mr Gaddum's department has been mainly responsible over past months for engineering the application of the Bundesbank's interest rates policy, comprising a series of sporadic small steps downwards (what Mr Otmar Issing, Mr Gaddum's directorate colleague, recently called "dribbling"). Mr Gaddum was also the prime mover behind the bank's decision to reduce minimum reserve requirements under which banks were obliged to deposit up to 12 per cent of their customer deposits, interest-free, with the central bank. He himself said the move would help German banks' competitiveness. Others described the changes as a "tremendous" boost.

Outsiders are somewhat more reserved about his management of interest rates.

In most of the moves this year so far, Mr Gaddum's team has first steered down long-term money market rates, by meticulous fine-tuning of the rates at which the Bundesbank supplies funds to commercial banks. This has opened up scope for the bank to execute judicious reductions in the internationally-important short-term discount and lombard rates. The process has been vociferously supported by his colleagues, who continually point out that 80 per cent of German borrowings are tied to the long-term rates.

Financial journalists sprint to telephones on the news that the Bundesbank has cut lending rates

Unconvinced foreign politicians and industrialists have pleaded in vain for bigger, more frequent cuts on the basis that a German lead will allow reductions elsewhere which in turn will help fuel recovery from recession. Appeals from within Germany, where the Bundesbank is viewed as the country's most trustworthy institution, have been relatively few.

Taken to task on its "international obligations" the bank presented a united, stubborn front. Lower interest rates were not the only or the most effective way to help recovery, it said. For lasting growth and lasting stability, each country had first to put its own house in order – Germany in particular.

In paraphrase: instead of concentrating on rising insolvencies and unemployment and falling company profits, politicians should consider the deeper symptoms of malaise. Most of all the bank denounces runaway public sector deficits which "crowd out" potential private sector investors from capital markets.

The Bundesbank was particularly angered by the German government's first attempt at producing a so-called solidarity pact. From a design draft for a package of spending cuts which was intended to help Germany fund recovery in the east, the Bonn government, in cahoots with the opposition, employers and unions, concocted a range of new taxes and levies which will cost individuals and companies the equivalent of 2 per cent of gross domestic product a year.

The bank, acknowledging the political will which had gone into generating the agreement, reacted with admirable restraint. Chancellor Helmut Kohl had made important political gains, but he had ignored Frankfurt's persistent warnings that spending cuts had to come before tax rises.

When it became clear, in late spring, that the holes in the federal budgets were too big to be filled by the proposed tax increases (an estimated DM100bn of savings was required until the end of 1996), the bank had had enough. It stopped "dribbling" with interest rates and resumed vigorous campaigning for real cuts. Ostensibly addressing the world at large, but clearly berating the Bonn government, Mr Schlesinger and his colleagues pulled no punches. They proposed that unemployment pay should be reduced and suggested that countries building up their social welfare systems should slow the process and consider whether they were on the right track.

In response to calls for public spending programmes to promote growth, Mr Issing suggested the proponents should stop trying to fool themselves into believing that such projects created anything more than a flash in the pan. All that was left after the flash, he said, was a residue of debt which had to be serviced. It would be far better to stop subsidising "dying" industries: steel, shipbuilding and agriculture for a start.

The Bundesbank seldom uses such direct language, but its temper has been tested by critics at home in Germany who seem to suggest that it should abandon, temporarily at least, the policies which, for 30 years and more, have helped keep German inflation and unemployment lower than almost anywhere else in the industrialised world.

David Waller studies Germany's corporate style

Shareholders on sidelines

A couple of anecdotes give a flavour of the deep divide between the Anglo-American style of capitalism and the Germanic approach.

First, a British magazine reports that the newly-anointed chief executive of a big German bank spilt some Blütwurst sausage on his new shirt just before an important engagement. The report, far from being laughed off, becomes the subject of debate at the bank's next board meeting. How dare Anglo-Saxon journalists write about such an important personage in this way? The bank contemplates cutting back its – already minimal – contact with the international press still further.

Next, the finance director of Daimler-Benz, Germany's largest company, casually tells this writer what the group's profit figures are going to be this year and next.

The banker's sensitivity to the Blütwurst story, in the first example, highlights more than mere lack of sense of humour. It reflects the tendency of senior German management to be removed from criticism of any kind – not just about their eating habits but also their financial performance.

In the second, the willingness to let slip highly sensitive information is indicative of a cavalier approach to the mass of shareholders. It can be taken for granted that Germany's big banks and insurance companies – which own large stakes in numerous large German companies – know the figures long before they slip out in the interviews and presentations. Other, shareholders are not so well served.

But there is no point in becoming morally indignant about the way corporate Germany works. The stock market simply does not have the importance for the German economy, and for German companies that it does for the economy and companies in other countries – with profound consequences for the way companies are managed.

While the German economy accounts for 25 per cent of the European Community's GNP, and 24 per cent of its population, the market capitalisation is only 16 per cent of the European total. There are only 665 companies on the German market; at the end of last year they were capitalised at about $333bn, accounting for 18.6 per cent of Germany's GNP. In the US, the market accounts for 66.4 per cent of GNP, in Japan 62 per cent and in the UK nearly 99 per cent.

German entrepreneurs prefer not to come to the stock-market. They are averse to becoming the slaves of short-term profits expectations – and they do not like the personal publicity which comes from having a stock-market listing. When a business reaches the point where an infusion of external equity capital would help it grow, it often decides not to grow any further. Or it sells itself to one of Germany's many family-controlled industrial holdings groups.

Entrepreneurs who do seek a market listing make sure that control stays with management rather than the market. A typical move would be to list only 25 per cent of the share capital.

Even much bigger companies try to make sure that control does not pass away from a few friendly (usually German institutions) to the equity market as a whole. There is an emphasis on "shareholder stability" – that is, arranging matters so that there is no possibility of management becoming unsettled via unfriendly takeovers.

Pressure on management to perform is exerted by the banks and insurance companies which dominate German supervisory boards. The yardstick by which management performance is measured is not published profits: the supervisory board will have access to internal measures of profit performance. There are other criteria, too, by which the success of a company will be judged: for example, capital expenditure; growth in turnover; contribution to the local community; improvement in friendliness to the environment.

There is little need for management to justify its actions to the broad cross-section of shareholders – except perhaps at ritualised events such as the annual press conference or at a meeting of shareholders.

The debate over management performance takes place behind closed doors. There is little need for management to justify its actions to a broader cross-section of shareholders – except perhaps at ritualised events such as the annual press conference or meeting of shareholders.

Communications policy at some of Germany's larger listed companies is changing. "Investor relations" and "shareholder value" are terms increasingly bandied about by by senior German managers. Partly this is lip-service – but it does reflect a growing readiness to take the interests of foreign institutional shareholders seriously.

These investors own between 40 and 50 per cent of the small free-float on the German stock-market, and a high percentage of shares in some large, individual companies. As yet they are not represented on the supervisory boards of the companies that they partially own. This means that their interests are perhaps not protected at the heart of the German system of corporate governance; but then few, if any, Anglo-American investors would be willing to make the long-term commitment to a company implicit in taking a supervisory board role.

Despite this lack of formal representation, there are signs of a gradual convergence between the Anglo-American way of doing things (where the shareholder comes first) and the German way (where the interests of ordinary shareholder have tended to come close to the bottom of the pile of management priorities).

This is brought on by two linked factors: the German recession and the likelihood that German companies will need to tap international equity markets for capital.

The recession is making managers realise the importance of making money as well as generating sales. Restructuring is generating a need for capital which cannot be met from cash-flows as in the past. The capital is not so readily available from the increasingly cautious banking community – and public sector borrowing requirements are likely to keep up the cost of borrowing over the rest of this decade.

The source of capital at the margin is the international fund manager; companies will have to adapt themselves to meet his or her wishes if that capital is to be forthcoming.

Talk about shareholder value is a symptom of this. More telling is Daimler-Benz's decision to seek a listing on the New York stock exchange. This will require the company to be more forthcoming with sensitive financial information than in the past and will expose it more closely to the criticisms of Anglo-American investors. In return Daimler will be able to raise equity capital more cheaply and more widely than its competitors.

As yet, other German companies have yet to follow suit, but Gerhard Liener, Daimler's finance director, predicts that other big German companies will be obliged to make the step soon.

Frankfurt's stock exchange

Technology is the weapon against London

LONDON'S spectacular failure to develop its Taurus settlement system has brought cheer to the hearts of Frankfurt financiers eager to challenge London's primacy as Europe's leading financial centre.

The reason is that London's failure to devise an electronic way of "dematerialising" share settlement has highlighted what German financiers believe to be the Frankfurt financial markets' superior technological edge over London.

While the German securities markets have suffered under a number of competitive disadvantages – such as a strict regulatory regime which has discouraged financial innovation and a lack of investor-oriented supervision – technology has been a central weapon in the battle with London.

An electronic system is more advanced than one where brokers shout and wave their arms about

The aim of the campaign has been to win back market share in German securities – in equities, bonds and derivatives – from London to Germany.

These efforts will be intensified further with the future development of the Deutsche Börse AG, Germany's unified stock-exchange structure, which came into being at the beginning of the year.

There are two important areas in which Germany's financial institutions have invested heavily in technology:

- The Deutsche Terminbörse (DTB), a fully-screen based trading system for future and options.

This has existed for only three and a half years, but in that time has mounted a vigorous challenge to Liffe, London's open-outcry derivatives market, Europe's largest.

The total number of contracts handled by DTB climbed from 6.8m in 1990 to 34.8m last year (confounding critics who said that a screen-based system would not function in hectic market conditions).

It has 79 member institutions – about 40 per cent of these are non-German – and it is expanding beyond Germany with a recent agreement to link up with Matif, its French equivalent.

A fully electronic system is more technologically advanced than one where brokers shout and wave their arms about amid an avalanche of paper, as at Liffe.

But having the technological edge has not necessarily given the DTB the business advantage: in May this year 70 per cent of the business in the crucial Bund future is still done in London rather than over the DTB.

This worries German financiers, because it is likely that much of the business in 10-year German government securities is also done in London.

But the DTB struck back with a medium-term government bond future (the Bobl). The DTB dominates this market, with a share of 80 per cent, although Liffe introduced a competing product in January this year.

- It has always been somewhat irksome to German financiers that London, a centre for international equity trading as well as for UK equities, should have captured much of the business in German shares via the Seaq International price display system, which requires a telephone call to execute an order.

One reason why fund managers may have been driven to execute their transactions in blue-chip German stocks via London rather than Germany is because of the lack of securities-market supervision in Germany. Another was the fragmentation of liquidity and visibility between the eight exchanges now merged into the new Deutsche Börse structure.

Technology alone could not overcome these obstacles – which are being dealt with – but the introduction of the Ibis screen dealing system for Germany's leading share and bond issues in April 1991 has succeeded in pulling back business from London.

London's share of business in Germany's 30 leading shares has dropped from 14 per cent in 1989 to 10.25 per cent last year, says Mr Rüdiger von Rosen, chief executive of the Deutsche Börse, citing Bank of England statistics. He attributes this success to the Ibis system, which within Germany now has a 44 per cent market share of turnover in the leading shares, more than twice the level only a year ago.

Last summer, it appeared that Ibis would not be the last word in the development of electronic trading systems for the German securities markets. Details of a study commissioned by the Frankfurt stock exchange leaked out, suggesting that during the 1990s Germany would move to a fully paperless system for equity trading.

The report, conducted by the McKinsey consulting firm, proved too radical.

Floor-based trading systems are to remain, assisted by technological innovations such as the recently introduced, so-called, Boss-Cube order-routeing system, which has been designed to eliminate the paper flow associated with a share order.

But the new Deutsche Börse is to be used to develop a "one-stop" shop for the purchase of equities, bonds and derivatives, together with settlement services. It can only be brought about by further advances in technology.

This was made clear by Mr Rolf Breuer, chairman of the Deutsche Börse and head of securities at Deutsche Bank, when he used his influence to appoint a successor to Mr von Rosen as chief executive.

The Germans are pleased that they do not have to develop a dematerialised share transfer system

Von Rosen, a former head of public relations at the Bundesbank, is to be replaced later this year by Mr Werner Seifert, a Swiss citizen who is now head of Swiss Re's primary insurance business. Until 1987 Mr Siefert was a partner at McKinsey. His background in technology and finance is thought to be the decisive factor behind his appointment.

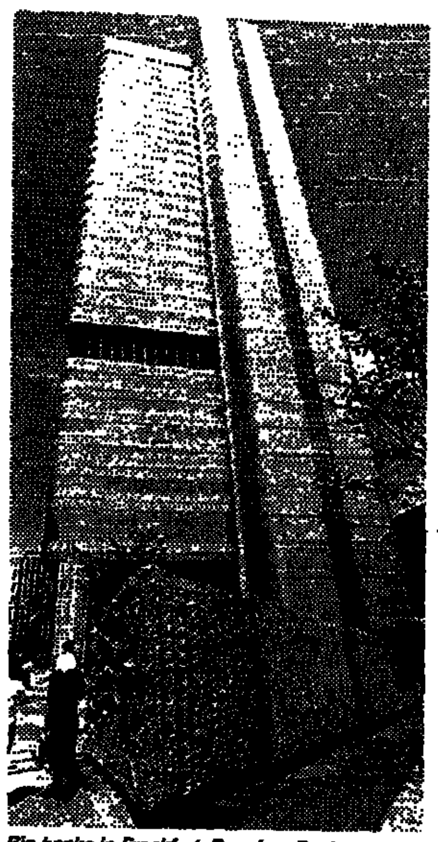
The organisation which he will head up from next August this year is a holding structure which brings the Frankfurt stock exchange, Germany's largest, under the same roof as the DTB and the Deutscher Kassenverein, the German settlement system.

Whatever advances are yet to be made, the Germans are pleased that they do not have to follow London's example and develop a dematerialised share transfer system – they have this in the Kassenverein already.

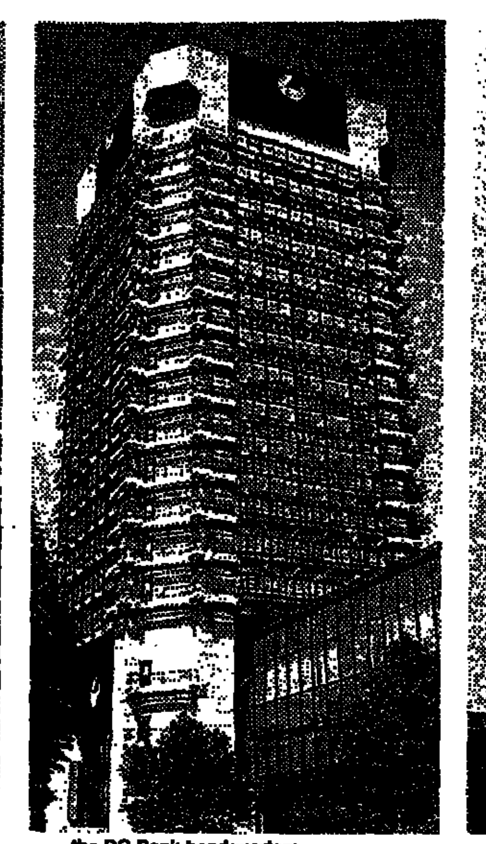
It offers settlement within 48 hours – and if the order is put in early enough, within the same trading day.

David Waller

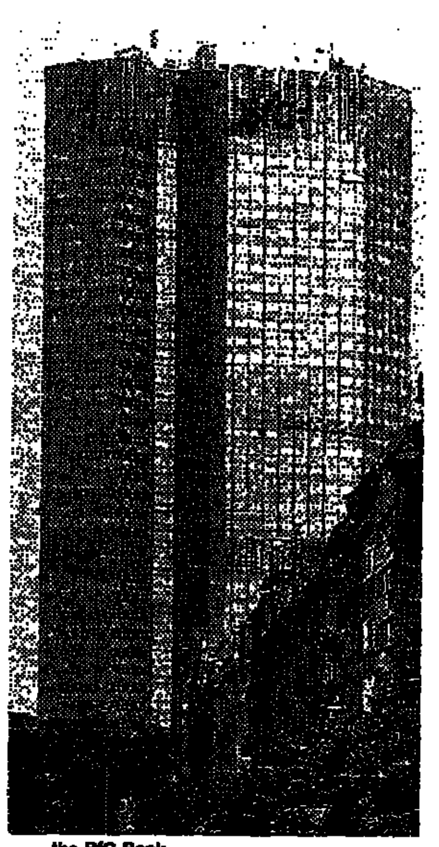
GERMAN BANKING AND FINANCE 3



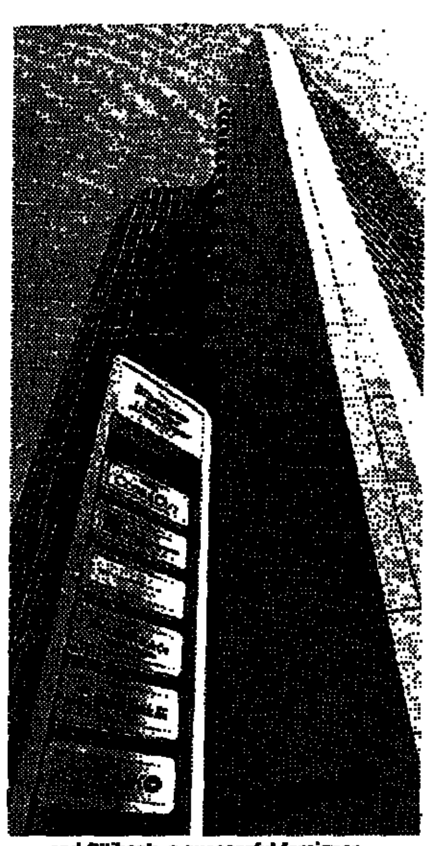
Big banks in Frankfurt: Dresdner Bank....



....the DG Bank headquarters....



....the BfG Bank....



....and Citibank, a successful foreigner

David Waller reports that recession has not yet affected the prosperous banking sector

'Lean-banking' is the buzz word

MR Ulrich Cartellieri, a board director at the Deutsche Bank, is fond of arguing that the banking sector in Germany is potentially the steel industry of the 1990s.

The thrust of his argument is that there are too many credit institutions in Germany (4,453 at the end of 1991 – the latest figure provided by the Bundesbank), and that this number must shrink over the course of the decade amid a restructuring as drastic as that which has afflicted the European steel industry.

As yet, however, there is very little evidence of his prediction coming true. On the contrary, judging by the robust profits still being generated by the larger, quoted German banks, the banking sector seems to be an island of prosperity amid the deepening gloom of Germany's worst recession since the war.

Germany's bigger banks all enjoyed a record year last year. The top five quoted institutions posted annual increases in total operating profits ranging from 7 per cent at Deutsche Bank (the biggest) to 21 per cent at Commerzbank and 33 per cent at the Bayerische Vereinsbank.

Moreover, operating profits do not appear to have run out of momentum during the current year. Deutsche Bank reported that total operating profits rose by "a good 20 per cent" in the first four months of 1993; Dresdner Bank (the second biggest in Germany) has reported that profits increased by 15 per cent over the same period and Commerzbank said that they climbed by more than a quarter in the period from January to March.

The performance has been recognised by investors: the banking sector (excluding Deutsche Bank) outperformed the German stock-market as a whole by more than 17 per cent; Deutsche outperformed the market by 5 per cent (reflecting the higher rating normally accorded to the bank by investors). But how long can it continue?

Mr Peter Pietsch, an economist at the Commerzbank in Frankfurt, observes:

● The increase in profits to record levels over the past two years reflects a steep rise in the demand for credit – total bank lending to non-banks excluding treasury bill credits grew by DM240bn last year – 8 per cent – with a much higher rate of growth in medium and long-term credits.

Although demand for funds has reduced with the onset of tougher conditions in the economy, it is still "brisk," says Pietsch, with DM10.6bn of new credits granted in February.

This reflects a number of factors, including lower interest rates and the continued availability of government subsidies to help finance investment in eastern Germany. Another consideration is that increased public sector borrowing is picking up the slack created by reduced demand for funds from private companies.

● Much of the increase in banks' total profits in the early months of this year reflect buoyant equity and bund markets.

The DAX index of 30 leading shares climbed sharply in the early part of the year and last year's bund rally through to the middle of April, with yields on the 10-year Bund dropping to under 6.5 per cent from over 9 per cent in the summer of last year. This benefited the banks on two counts: they increased their fee income via providing securities-related services to their clients, and they made profits for themselves via own-account dealings.

These factors help explain the growth in operating profits in the past, and provide some comfort for the outlook for the rest of the year. But to a large extent, as Pietsch readily admits, the operating profits provide an unrealistically positive picture of the German banking sector's prosperity – because they are calculated before provisions for bad and doubtful debts.

It is understandable at a time of deepening recession, when the number of bankruptcies has risen sharply, that the banks have been increasing their provisions. By just how much is not clear: the banks do not disclose the figure – although they will begin to do so later this summer, when they release their full figures for the first six months of the year.

Analysts have already been able to make a guess at the scale of provisions, following hints dropped by the banks' chief executives at recent press conferences. Goldman Sachs, for example, calculates that provisions against domestic credit risk doubled in 1992 to roughly 1 per cent of total lending.

This reflects an especially high increase in provisions to cover loans to small and medium-sized businesses. Deutsche Bank disclosed that nearly three quarters of its provisions were against loans for less than DM10m, mainly in manufacturing.

Mr Ian McEwen, European bank analyst at Merrill Lynch, has studied the numbers and come to the conclusion that net provisions as a proportion of operating profits range from 43 per cent at Deutsche Bank to 64 per cent at Dresdner Bank and a massive 95 per cent at Commerzbank.

McEwen says that in the light of the banks' poor disclosure policies these calculations are "subject to considerable uncertainty." But he argues that the truth about bank profitability is startling – only Deutsche, of the big three banks, has a comfortable relationship between the net provisioning and the level of profits.

"This means that the boom years for the German banks have already ended," says McEwen; but this has yet to feed through to the bottom line.

He predicts that strong lending and buoyant markets will enable the banks to post further gains in operating profits this year. Next year, however, he expects operating profits to fall by 10 to 15 per cent – although these figures will not be disclosed until well into 1995. By then, the bad debts situation will have deteriorated still further.

Pietsch, at Commerzbank, is adamant that by international standards the German banking sector will continue to look relatively strong. "We don't have all the dramatic developments here in Germany that have afflicted the banking sector in the US or Japan," he says. "Although there is a downturn in the property sector, for example, there is no structural crisis.

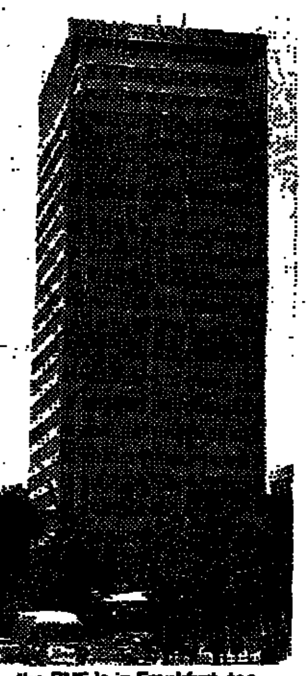
"Of course industry is weak in Germany, but total industries are not vanishing as they have in the US. Perhaps the only really dramatic developments are in the machine tool sector – in the motor industry, by contrast, we are experiencing a cyclical downturn rather than catastrophe."

Moreover, Germany is not facing a savings and loans crisis of the kind experienced in the US – nor do the banks have to deal with the aftermath of imprudent lending to finance highly leveraged takeover transactions.

But, perhaps in recognition that more difficult times are head, the buzz word in the German financial services sector at present is "lean-banking": after a period of years in which costs have risen sharply, banks are beginning to take more care of cost management.

This can mean reducing staff levels: Commerzbank, for example, plans to reduce its staff levels by 1,000 from 30,000 by the end of next year.

It has recently denied reports that it is planning to lay off twice as many people as part of a slimming-down of its Frankfurt head office. That a review of head office costs is underway is no secret: the McKinsey consulting firm has prepared a report on the issue, and the Commerzbank board will decide on rationalisation measures at the end of July.



...the BHF is in Frankfurt, too

David Waller profiles BHF's banking operations

Tuned to the single market

BHF-Bank is often described as a small, Frankfurt-based merchant bank – a description which is in some ways misleading.

BHF is not that small: with assets of DM54bn at the end of last year it ranks as Germany's eighth largest private sector bank.

And as Mr Wolfgang Strutz, its senior partner, concedes, it is not a merchant bank in the English sense of the term.

It is highly active in mergers and acquisitions advice and other fee-earning business, but the lion's share of its earnings comes from commercial lending.

Furthermore, BHF may be based in Frankfurt, but with about 60 per cent of lending going to international customers, it claims to have the most international business profile of any German bank.

"In fact," Mr Strutz says, "we are one of a kind, very different from other German financial institutions. This begins with our legal structure – six general partners are personally liable for the bank's entire business – and extends to the type of business we pursue.

"Like other large German institutions we are a universal bank, in that we combine a large range of financial services under one roof; but we don't do everything that a universal bank could do.

"We avoid small retail customers and steer clear of low-margin volume business. Our target clients are businesses with turnover of DM100m or more and high net worth individuals."

The bank has had above average growth in profits over the last 10 years, is represented in 12 German cities and had branches or subsidiaries in the world's big financial and industrial centres.

Mr Strutz says that the bank's aim is to concentrate on four main business areas: treasury activities, with currency trading operations in New York, London, Tokyo and Frankfurt; commercial lending; asset management, concentrating on the core markets of Germany, Switzerland and France; and corporate finance.

BHF has taken two important strategic steps since the beginning of this year, with the aim of bolstering its international corporate finance activities and its domestic lending business.

First, together with its French associate Credit Commercial de France, BHF will pay £235m to buy a 90 per cent stake in Charterhouse, a London-based merchant bank.

Second, it forged a domestic co-operation agreement with IKB Deutsche Industriekreditbank, a Düsseldorf-based bank which specialises in providing long-term finance to small and medium-sized businesses.

The agreement is underpinned by a share exchange under which BHF took a 10 per cent stake in IKB, while IKB bought 3.5 per cent of BHF's shares. Together the two institutions have total business volume of DM100bn

The acquisition of Charterhouse is the more ambitious of the two moves, representing a determined attempt to build up a pan-European corporate finance group.

"We are convinced that as the process of European union gathers pace, cross-border mergers and acquisitions will become more important than ever before," Mr Strutz says, explaining the rationale behind the move.

"As medium-sized companies gear up to face the realities of a single market they will face a growing need to seek external sources of capital and will be increasingly obliged to seek third-party cross-border financial advice.

"We decided that the best way to tackle the market was not by setting up our own subsidiary or taking a passive financial investment – but to make an outright purchase.

"Either of us (BHF or CCF) could have done the deal on our own," says Mr Strutz, "but this would have done no more than bring one institution's home market into the equation. The way we have done it creates something unusual – a trilogy of corporate finance operations in London, Paris and Frankfurt."

The aim is to make the services of this triple alliance available to BHF's domestic client base – and also to the 8,000 medium-sized companies which are clients of IKB.

Insurance is learning to live with EC directives, writes Trevor Petch

Need to respond faster

THE implementation of the EC third directives on life and non-life insurance in July 1994 will represent a watershed for the German insurance industry. Since the 19th century the authorities have regulated the market by detailed supervision of policy terms and premium rates rather than the monitoring of insurers' financial condition.

"As Brussels has opted for another market model, much closer to that of the UK, we believe that we have to live with the consequences," says Dr Bernd Michaels, chairman of the German Insurers' Association (GDV). "The task is now to ensure that the directives are transformed into German law in such a way that its insurers have a fair chance to compete," he adds.

All leading German insurers share the view that big changes will ensue, particularly in personal lines business. "We are talking about a different game," says Dr Henning Schulte-Noelle, chief executive of market leader Allianz.

Companies will be forced to pay much more attention to policy development, particularly in life insurance, and respond more rapidly to innovation as both they and new market entrants are freed from the tight restriction of the supervisory office in Berlin.

"For the first time in German insurance history underwriting of private customer business will have to be creative," says Mr Claas Kleyboldt, chairman of Colonia Konzern, holding company of the Colonia and Nordstern insurance groups.

At the same time, customers will be faced with more choice and more difficult decisions. Both Dr Schulte-Noelle and Mr Kleyboldt see an increased role for the insurance companies' agents, who dominate distribution in Germany. The industry recognises that the agents' new role is something more than simply a sales function and will require more training, but it is determined to maintain control over this itself.

Germany currently has almost no control over the insurance sales process, relying on close regulation of the insurers and on their own image-consciousness. Nevertheless, in recent years there has been increasing concern over dubious practices, particularly by some of the growing number of independent sales companies and in the new states in eastern Germany.

An increase in price competition is also regarded as inevitable, with equally far-reaching implications. Dr Knut Hohlfeld, president of the Insurance Supervisory Office, acknowledged in an interview in February that German insurers had been cross-subsidising low commercial insurance rates with profits from private customer business, an allegation which the industry itself consistently denies.

Nevertheless, with a view to the future after 1994, Mr Kleyboldt comments: "I personally think that the best thing that could have happened was the disaster in comprehensive motor insurance this year and last." Increasing car thefts – many for export to eastern Europe – together with losses from eastern Germany, have led to heavy losses on motor insurance.

Car thefts – many for export to eastern Europe – together with losses from eastern Germany, have led to heavy losses on motor insurance

In response, insurers have set restrictions on the cover offered. They have also pressed for rate increases, requesting between 10 per cent and 20 per cent this year.

Companies are also seeking the right to increase premium rates during the life of the policy – which is generally long by European standards. Mutual insurers already have the ability to increase premiums at any time, by membership vote.

Fewer changes are predicted in industrial lines. These are already open to the single market, but with little effect on the traditional links between German industry and German insurers. Part of the reason, according to Dr Michaels, is that policies were already of international standard and prices had become so low that few outsiders were interested in competing for business.

Industrial, fire, and loss of profit lines have suffered heavy losses. Since 1991 German insurers have finally begun to demand premium increases, which have risen by 30 per cent to 40 per cent. In the past, big industrial conglomerates have been able to demand cheap cover and very small deductibles, while using so-called in-house insurance brokers to earn a profitable commission.

Insurers are now demanding increases at time when their clients are under severe financial pressures of other kinds. As a result, in the longer term there may be important changes in how German companies insure. Already some are trading off increased deductibles against a smaller increase in premium rates.

German industry has also been relatively insulated from the increasing use of captive insurers and other self-funding mechanisms. In the UK, the US and Sweden, half of all cover for big industry is carried out like this this The Customs House Dock financial services centre in Dublin has been a particular beneficiary of the increase in German-owned captives, and the trend can be expected to continue.

Another effect of these changes is increased attention to reducing administrative expenses, partly to counterbalance rising claims costs. Dr Schulte-Noelle also draws an explicit connection with increasing price competition for personal customer business, as well as the pressure exerted on cost ratios by the development of new business and, especially, supporting the new market in eastern Germany.

Attempts to win market share from Allianz's local subsidiary, Deutsche Versicherungs, the successor to the former state monopoly insurer, has generated heavy losses for some insurers which marketed policies at a heavy discount.

Germany has successfully demanded from the EC special dispensations to maintain its traditional insurance accounting procedures. The lowest value principle (which enables German insurers and reinsurers to build up large hidden capital reserves in addition to the compulsory but tax-efficient special reserves against fluctuations in underwriting results) will be maintained. So will the ban on discounting loss reserves.

Together these "have led to the high safety margin we have had in Germany for decades," Dr Michaels says. The insurance accounting directive will force German insurers to disclose the market value of their assets, but is expected to delay implementation of this directive for as long as possible – probably to the end of the decade. Such disclosure could lead to a kind of rating or competition between insurers over the level of hidden reserves. Dr Michaels thinks that this would be to the industry's disadvantage.

Trevor Petch is editor of World Insurance Report, the Financial Times newsletter

Judy Dempsey assesses expansion prospects for eastern Germany

Likely to be a long haul

FINANCIAL services, from banking to insurance, are now firmly established throughout eastern Germany. But the expansion of these services depends on two factors: the extent to which the economy of the five new states will start growing, and the resolution of outstanding property rights.

Western Germany's big banks, and the private banking sector, moved quickly into eastern Germany in late 1990.

The expectations at that time were high, but they were short-lived. Eastern Germans rushed to spend west German marks exchanged for the largely worthless *ost* mark. But the consumer boom ended over a year ago. The east Germans are now beginning to save. However, what banks want to see is the expansion of the market – and that is not yet happening.

There are two reasons why the market is not growing as fast as it should. First, eastern Germany's exports were dependent on the former Soviet Union and the countries of eastern Europe. Monetary union meant that these countries could not afford to pay hard currency prices for eastern German products.

In turn, eastern German products could not compete on western markets. In short, any western German or foreign investor who decides to locate in eastern Germany now does so with the expectation of a long haul.

No banker or investor expects to make quick returns – with the exception, perhaps, of the construction industry.

This is a common view shared by the west German-owned *mittelstand*: the small and medium sized companies which are now setting up subsidiary companies in eastern Germany, and which formed the backbone of Germany's post-war development. Each *mittelstand* manager in eastern Germany has his or her own tale to tell. But all agree that these new companies have to find new markets – markets which are concentrated on the local region. High labour and transport costs, as well as low productivity, means that the *mittelstand* in eastern Germany cannot expect any advantages with regard to competitive labour costs.

"These small companies cannot cluster around large industry in eastern Germany, simply because this heavy industry and manufacturing base no longer exists,"

Neither the banks nor the fledgling mittelstand in eastern Germany can expect quick returns

explains Mr Georg Krupp, a member of Deutsche Bank's board and a specialist on the *mittelstand* in eastern Germany. "These companies have to start from scratch. The memory and spirit of the entrepreneurial culture in eastern Germany has to be recreated," he adds.

This means that neither the banks nor the fledgling *mittelstand* in eastern Germany can expect quick returns on investments. Financial services will therefore be oriented towards the very long term, rather than the short term.

The growth of financial services in the region will also be dependent on the levels of unemployment. Real unemployment – including part-time work and job creation schemes – now accounts for between 30 and 35 per cent of the labour force.

This figure could increase with job guarantee contracts agreed between the *Treuhand*, the agency charged with privatising eastern German industry, and those who bought firms from the agency end. The *Treuhand* has managed to secure 1.4m job places. An increasing reduction in consumer spending will have an impact on financial services.

Another problem which dogs the eastern German economy: property rights.

The unification treaty stipulates that any property seized by the Nazis between 1935 and 1945 can be reclaimed, or its original owners can seek compensation. The same rights apply to those whose property was seized by the communists after 1949, until 1990. But those whose land was expropriated by the Russians occupying eastern Germany in 1945-1949 can only seek limited compensation.

Although the government has now made it easier for investors to purchase property – provided they are committed to creating jobs and investment – sorting out who owns what, and what level of compensation the original owners should be granted, has delayed both western German and foreign investment in eastern Germany.

In eastern Germany there are over 1m claims involving more than 2m items of property – from houses and small shops to factories and tracts of land. In Berlin alone there are over 114,000 outstanding claims. In Leipzig, a thriving city in the southern eastern state of Saxony, the authorities have yet to process over 26,000 claims.

Claims take time. In some cases the relatives or heirs cannot be contacted. Even if they can be found, and all the relevant documents are presented to the property rights offices in each city, constant disputes over the levels of compensation take place. There is also the emotional problem of reclaiming property in which some families have lived for decades. Efforts have been made to protect the rights of the latter, particularly if they acquired the property in good faith. But nevertheless, justice ministry officials in the eastern German states say that the whole question of property rights has slowed down investment.

"It is too late now. But we should have decided on one or the other – compensation or restitution. The law has pleased no one. But when it comes to property, I wonder whether any other decision would have pleased everybody," a senior justice ministry official said recently.

Outstanding property rights are expected to be resolved in about 10 years. But western German investors, bankers, and the business community agree that it will take at least 10 years for eastern Germany to create an infrastructure and an environment which will allow it to compete within the whole of Germany and the European Community.

"No matter what sector of the economy you talk about, we have to look to the long term. There is no such thing as a quick buck now in eastern Germany. It will be a long hard slog," says Deutsche Bank's Mr Krupp.

A delighted east German demonstrates the 1-1 currency union granted by Bonn in 1990, following the unification of east and west Germany

David Waller *reviews Franco-German financial relations*

Cross border deals blossom

ON the last working day of 1992, shareholders in Germany's second largest insurance group approved the sale of Germany's sixth largest bank to Crédit Lyonnais, the large state-sector French bank.

The timing of the deal was charged with symbolism: shareholders in Aachener und Münchener Beteiligungs (AMB), the second biggest insurance group in Germany after the Allianz colossus, approved the sale of a majority stake in BfG Bank to the French institution on the very eve of the formal opening of the single European market.

This DM1.9bn transaction was linked with a second, related deal, bringing AMB into a formal co-operation agreement with Assurances Générales de France (AGF), a large French insurance company. This brought the management of AGF on to the board of AMB, allowing it to exercise full control over a 25 per cent stake in AMB – accumulated against the initial wishes of the German company's management.

These two related deals were part of a series of cross-border alliances forged between German and French financial institutions during the past year. Companies from the two neighbouring countries have been taking steps to make the single market a practical reality.

Dresdner Bank has completed a co-operation agreement with Banque Nationale de Paris.

Three further examples of this are:

● Dresdner Bank – Germany's second biggest bank – which has completed a co-operation agreement with Banque Nationale de Paris.

The contract, which will be sealed with a 10-per cent cross-holding later this year if BNP is privatised according to plan, provides for detailed co-operation in a number of areas.

The two banks will make use of each others' home country branch networks.

They will pursue expansion into third countries jointly and they have already formed joint banks in Hungary and Czechoslovakia.

Although contractual agreements of this sort are haunted by the memory of the failure of a similar agreement between Crédit Lyonnais and Commerzbank, both parties are convinced that they have worked out the scope of the co-operation to the smallest detail – and that the agreement is the best way for both to expand beyond their home markets.

● The Deutsche Terminbörse (DTB) – Germany's thriving electronic futures and options exchange – is working with Matif, the French derivatives exchange, on an ambitious plan to link their markets. Under the agreement, members of the two exchanges will be able to trade each other's products. Matif will also gain access to the DTB's screen-based dealing technology.

● BHF-Bank, a Frankfurt-based institution which likes to call itself the "German merchant bank", joined forces with Crédit Commercial de France to buy a 90 per cent stake in Charterhouse, a UK merchant bank. The £235m deal represents a Franco-German initiative to build up a three-legged cross-border merchant banking group.

The largest of the four transactions was the AGF/AMB and Crédit Lyonnais/BfG deal, completed only after months of horse-trading between some of France and Germany's largest financial institutions. During this long-winded process the chief executive of AMB lost his job, mainly because he opposed the process of co-operation with the French.

For mergers and acquisitions followers it was a continental European treat: the deals were done in back-rooms, far from the scrutiny of the financial markets, with one supervisory board chief haggling with another.

In this battle of the giants the interests of minority shareholders were hardly paramount.

UK merchant banking advisers played a role, but all too often a limited one: S.G. Warburg advised Wolf-Dieter Baumgartl, AMB's chief executive, on how to stay independent of the French; the advice was to no avail – Baumgartl was ousted by the pro-French chairman of his own supervisory board.

An added note of exoticism was provided by AMB's defence strategy, which was to hide behind a special class of "vinculated" shares, which gave AMB the right to decide who should have voting rights and who should not.

If the affair began last year on a distinctly unfriendly, non-European note, relations between the insurance companies became more harmonious. The votes on the vinculated shares were recognised after the French were able to provide AMB with a solution to its BfG problem.

BfG-Bank – originally the Bank für Gemeinwirtschaft, a trades union bank – came under AMB's control more than five years ago. The aim was for the bank to sell the insurance company's products, but the venture into "Allfinanz" was ill-fated. The bank suffered from its exposure to the Co-Op retailer (which nearly went bankrupt in 1989) and from high exposure to problem country sovereign loans.

BfG-Bank cost its parent billions of D-Marks, and was a millstone around its neck, especially at a time of change in the German insurance market.

All parties were happy when AMB introduced Crédit Lyonnais as a buyer for BfG, the German bank

But for Crédit Lyonnais the opportunity to buy the bank, with 200 branches in east and western Germany, represented a one-off chance to establish a significant presence in the German banking market.

Thus all parties were happy when AMB introduced Crédit Lyonnais – its fellow state sector institution – as a buyer for BfG. In return, AGF won its influence over the big German insurer.

The deal was opportunistic. But the net result was co-operation in keeping with the spirit of the single market programme which took effect soon after shareholders voted their approval at the end of last year.

Opera

Gardiner's 'Marriage of Figaro'

The cycle of Mozart's operas that John Eliot Gardiner is recording for Deutsche Grammophon is being derived from concerts which have become a welcome feature of summer on the South Bank. *Idomeneo*, *La clemenza di Tito* and *Die Entführung* have appeared so far, *Così fan tutte* is still to be released, and this week in the Queen Elizabeth Hall Gardiner is conducting two performances of *Le nozze di Figaro*.

"Concert performances" is a misnomer for these highly detailed presentations. "Three quarters staged" would be more accurate: the singers wear modern dress – white tie for the Count, a leather waistcoat for Figaro, evening dresses for the women – and play in front of a painted backdrop after Fragonard. There is a single chair, a wardrobe, but mercifully no wigs. The London concerts follow a European tour that has included full stagings in Lisbon and Paris and presumably all the business and the productions points are derived from those, though no stage director is credited in the programme.

Given the self-imposed constraints it is an energetic evening, full of bustle and incident, with entrances spilling off the stage and into the auditorium. It is carefully gauged so that action does not intrude into the final recording, where the subtleties that sometimes seemed missing from the acting (in the ambiguities of the the final-act reconciliations most strikingly) would be able to emerge through the vocal lines. The spry, translucent textures of the English Baroque Soloists allow the light young voices of much of the cast to carry easily and expressively; the singers have chosen carefully for their vocal flexibility and wit.

With every appearance Bryn Terfel's Figaro seems to gain steadily in his emotional range, sense of timing and vocal assurance; Alison Hagley's Susanna, new to me, was a delight; one expected the graceful, idiomatic singing, and winning stage manner not necessarily the nicely judged wit. There is a menacing, if slightly underplayed Count from Rodney Gilfry, elegant, calm Countess from Hillevi Martinpelto. Pamela Helen Stephen makes a gawky, nicely gauche Cherubino; Susan McCulloch (Marcellina), Carlos Feller (Bartolo), Francis Egerton (Basilio and Don Curzio) and Julian Clarkson (Antonio) flesh out the comedy without every descending into coarse acting, and Constanze Backes makes a great deal of Barbarina's aria.

Most of all, though, it is Gardiner's evening; he invests every number with dramatic pace and point, pays the closest attention to rhythmic detail and watches and supports his singers like a ministering angel. It is always involving, always moving and finally joyously uplifting.

The musical text is full, but Gardiner favours unconventional orderings of the items in Acts III and IV, decisions lucidly justified in the programme. The Countess's "Dove sono" is brought forward in the third act, before the sextet, and hence clarifies the progression from tension through comedy to celebration; in the fourth the recitative that precedes Figaro's "Aprite un po'" is interrupted by Susanna's "Deh vieni", to give his outburst much more dramatic point. Traditionalists will be able to programme out the revisions when the CDs appear; the recording, though, promises to be very special.

Andrew Clements

Queen Elizabeth Hall; sponsored by National Power. Further performance tonight

Cinema/**Nigel Andrews**

The 'kiss kiss bang bang' formula

MAD DOG AND GLORY (15)
John McNaughton

THE ASSASSIN (18)
John Badham

RED ROCK WEST (15)
John Dahl

THE FENCING MASTER (12)
Pedro Olea

"Kiss kiss bang bang" is the oldest formula in films. "Kiss kiss" refers to the bits where two people melt together, softened by the string section and lured by the cosmic push towards Oneness. "Bang bang" (leave aside more risqué meanings) refers to the bits where two or more people enact the ultimate ritual of atomisation: split apart from each other, from the movie or from life itself.

But "Kiss kiss bang bang", however potent its potential, can never be the whole story in a film: merely an underpinning to richer things. Two of this week's American movies deploy the formula in all its schematic nakedness and are then surprised when audiences who begin by whooping with excitement end up sicklied o'er with the pale cast of *déjà vu*.

In *Mad Dog and Glory* screenwriter Richard Price, tangy chronicler of life on the edge in films like *Sea Of Love* and *The Colour Of Money*, gets what he may have thought a "Eureka" idea for a KKBB plot. Shy police photographer Robert De Niro accidentally saves the life of crime boss Bill Murray – frightening off the thief who is standing on Murray's face during a convenience store robbery – and then falls in love with the girl (Uma Thurman) whom a grateful Murray "loans" him. Will bullets fly when the little man tells the big man that he cannot have the lady back?

Since director John McNaughton's last film was the grimly provocative *Henry: Portrait Of A Serial Killer*, all bang and no kisses, we wonder how he will cope with the two-tone mandates of commercial cinema. Answer: scarcely at all. After a gruesome, *Henry*-ish first scene shot in black and white – a roadside drug deal sealed with two bullets in two brains – we swing into the wacky, all-colour world of Chicago crime and punishment.

De Niro is a timid, gentle, creasy-faced loner who hums "That ol' black magic" as he snapshots corpses. Murray has a mug that could crack a mirror but he loves his friends and does stand-up comedy routines for his fellow hoods. And Thurman is a little packet of fizzy sex appeal sent to De Niro as a "seven-day singing telegram" and outstaying her time limit.

These lovable goofballs never existed outside a film, nor did their slap-happy schedule of love and violence. The romance-and-action alternations might have been designed by a committee. A few minutes of rough stuff out on police patrol; then a few of De Niro and Thurman going kissy-kissy on his sofa (burbling saxophone and harp glissandoes on soundtrack); then a few more of thudding corpses or crashing fists; then some buddy-buddy cosiness between De Niro and Murray; then more mayhem; then more *amore* ...

Finally the film disappears up its own regimented schizophrenia: living, or half-living, proof that when the kiss-kiss-bang-bang formula is mishandled it no longer seems a pithy precis of human life, more the product of an entertainment industry handing out love and violence like a pill doctor dealing out uppers and downers.

Much the same perfunctory prescriptions are on offer in *The Assassin*. America's remake of *Nikita*. Luc Besson's French original gave us Anne Parillaud as a drug addict/murderess turned glamorous government hitwoman. Spared the ultimate penalty by a State who forgave her criminal past in return for a future of hired liquidation, she dashed around Europe popping off VIPs while trying to achieve emotional normalcy with her boyfriend.

The cleverest, maddest scene in *Nikita* had the heroine fitting up her gun in a hotel bathroom for an immediate "hit" – she has received a phone call in mid-love scene in the bedroom – while the boyfriend bangs on the locked door suffering from a combination of curiosity and *coitus interruptus*. Hollywood perkily re-runs this scene, with Bridget Fonda doing her nut over the assembly-kit rifle while her frustrated Californian hippie (Dermot Mulroney) quizzes through the door.

Elsewhere, *The Assassin* is less convincing than *Nikita* even on the French film's absurdist, fabulist terms. As in *Mad Dog And Glory*, automatism takes over the kiss-bang franchise. We begin with the explosive: robbery, murder, arrest, violent training. Then like soothing sorbets between helpings of red meat, we keep being served romantic entr'actes.

There is Gabriel Byrne, the secret service smoothie whose hard exterior conceals a made-in-Hollywood heart; Mr Mulroney, our heroine's oceanside Galahad; even Anne Bancroft, who runs the Assassin Training School's charm school and teaches the young gels the finer things of life. Like how to walk, talk and court; how to remove bones from the throat during posh dinners (sic); and how to dress correctly for Mr Right.

The Bancroft scenes are totally barmy. But then as directed by John (*Saturday Night Fever*, *War Games*) Badham, the whole film is barmy. As with all bad kiss-bang cinema, plausibility is pushed aside by the fallacious creed that all you need to ensnare an audience is a remorseless, nonstop Yin-ing and Yang-ing between the romantic and the kinetic.

Red Rock West comes closer to getting the recipe right. Kiss-kiss is put on a back burner – or allowed to lie around defrosting – until the ingredients for bang-bang are properly heated. Job-hunting hobo Nicolas Cage, arriving in Red Rock, Wyoming, is mistaken by bar-owner J.T. Walsh for the hired killer he plans to set on his wife (Lara Flynn Boyle). Walsh gives him $5,000 for the job; Miss Boyle gives him $10,000 not to do the job – or to do it on Walsh; and so the merry imbroglio begins.

Soon we have stalkings, ambushes, gunplay and Dennis Hopper, stark mad in a Mexican jacket as the real late-arriving hit man. And before the bang-bang climax in a studio-built graveyard, we have all we need in the way of kiss-kiss: Mr Cage and Miss Boyle *exchanging some moody, noirish* moments of passion in her darkened hacienda.

Director John Dahl's previous feature was another attempt at stylish pulp, *Kill Me Again*. He and co-writer brother Rick must have had the complete works of Jim Thompson or James M Cain dropped on their heads as children. *Red Rock West* runs into a diminishing-returns zone before the close: too many self-conscious "surprises", too much strenuously hardboiled dialogue. But before that, what a pleasure to see a kiss-bang thriller in which both forms of consummation are dealt out slowly, teasingly, appetisingly, rather than force-fed to us from frame one.

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The Fencing Master is a similar but Spanish tale: more kiss-kiss-swish-swish. A rapier maestro in 1860s Madrid (Omero Antonutti) falls in love with his beautiful, mysterious lady pupil (Assumpta Serna). Could she be a political agent, limbering up for an assassination programme as Spain breathes the first heady scents of Republicanism?

Soon bodies are thudding to floors and corpses are being extracted from rivers. The fencing scenes, as well as providing sublimated love play, become teasing, inquisitorial *pas de deux* between the suspicious master and the suspected mistress of deception. Director Pedro Olea, adapting a novel by Arturo Perez Reverte, could have given his camera more rapier-like dash and force. With each scene we seem to bog down in a new sub-Velasquez tableau. But at least in Spain, unlike some parts of Hollywood, love and violence are seen as subtle, seditiously symbiotic forces rather than mere seesawing extremes for a variety-hungry audience.

Ballet/**Clement Crisp**

The Kirov's 'Romeo and Juliet'

Could this be the Kirov Ballet? Was this really Leonid Lavrovsky's *Romeo and Juliet*? The opening performance of the Kirov season on Tuesday evening was one of those occasions when doubt replaces delight, and you seek excuses for what is on view rather than superlatives.

We have loved, honoured the Kirov since its first London visit in 1961 – and the souvenir programme for this present appearance reproduces a 1961 poster which bears a roster of names so illustrious that the heart lifts even now. Looking aghast at the stage on Tuesday, at the flimsy performances and the risible production, it is hard to accept this farrago as worthy of a theatre and a company which has ever been a beacon of classic style and the noblest aspirations of Russian art.

We saw Lavrovsky's *Romeo* on the first night of the Bolshoi Ballet's first visit to the West, at Covent Garden in 1956. The curtains parted, and there was a triptych with Romeo, Friar Lawrence and Juliet – our first sight of Ulanova, who was to seem that night a genius of the dance in her purity and expressive truth. The staging was handsome; Pyotr Williams' designs were opulent, so veristic that "one could almost smell the Verona drains", and filled with *bustling life, with tremendous* drama, with passionate and passionately convincing dancing. We were subjugated by the breadth and grandeur of Lavrovsky's production – the choreography a bit predictable, perhaps, but done with devastating power – and by the generosity of the performances.

This *Romeo* had, though, been first staged for the Kirov Ballet in 1940 with Ulanova, and it is this version which the troupe has now brought to London. It is wholly disappointing. The scenery is credited in the sketchy cast-sheet to "P. Vilyamo" (who is, I suppose, Pyotr Williams). It is predictable, functional, and looks ill-realised and somewhat ricketty. The choreography is not credited at all – a slip, or an admission? – and is shorn of the triptych prologue, which is included in the printed libretto. The company performance is, frankly, miserable. There are phalanxes of people looking shifty and wearing ineffably quaint character costumes. (Most of the nobility and gentry seem inspired by Tommy Cooper's celebrated impersonation of Hamlet). Montague is an embarrassed beanpole; Tybalt has cornered most of the brightest-coloured stuffs, well set off by a gang of chaps pretending to be guards in tin hats and sagging black St. Trinian's knickers. A good deal of furnishing fabric swishes about as High Renaissance fashion. The effect, were it not so *sad a travesty of a fine ballet*, would be hysterical.

These problems are compounded by characterisations no less improbable and unworthy. Shameless mugging or disinterest mark the drama, with a lamentably weak dance style in the few moments which demand classic exactitude. (The unidentified male soloist in the ball-room divertissement was very disappointing; the scenery-chewing in Juliet's bedroom by her family and the nurse was a ripe example of the art of coarse acting. The National Theatre of Brent could not do better).

Embedded in all this were two valuable interpretations. The curious fact is that they were given by Moscow guests, in the leading roles: Nina Ananiashvili and Yury Posokhov. Ananiashvili shows us Lavrovsky's Juliet, a child suddenly grown to womanhood as she and Romeo fall in love. We see it happen in the exquisite "private" front-cloth scene at the ball when the lovers are alone, and like Ulanova, Ananiashvili makes it ecstatic, fateful. The later progress of the drama comes inevitably and touchingly from this, and Ananiashvili charges the dance with a powerful physical image. As with Plisetskaya in this role, she justifies the dance by the clarity and power of her style, and beautifully so in the balcony duet.

Alastair Muir

Yuri Posokhov and Nina Ananiashvili, guests from Moscow

Posokhov, now with the Royal Danish Ballet, is a superb Romeo. His natural elegance – everything light, true, harmonious – is allied to a quiet dramatic sincerity. He penetrates to the heart of each dance or emotional moment, and shows us its essence. Wonderful the tight focus of his anger in the fight with Tybalt. The ardours of the young lover, the intensity of his feelings – even something heedless in Romeo's temperament – are beautifully stated.

Together, these two guests reminded us that Leonid Lavrovsky was one of the masters of Soviet ballet, a fact which the Kirov Ballet's lustreless presentation was at pains to minimise. The presence of the Mariinsky Theatre orchestra was the other positive factor of the evening: "authentic" performance, such as these fine musicians gave under Boris Grouzin, is a joy.

The Kirov is at the Coliseum with varying programmes until July 31

A student musical; and LIFT goes Chinese

Any musical that contains the song "Oh! You Beautiful Doll!" has a lot going for it. You may have forgotten (I never knew) that it comes in *Madame Sherry* by Otto Hauerbach and Karl Hoschna which appeared in Bloomington, Illinois in 1910.

Actually, the "Beautiful Doll" song was added slightly later and the original version of *Madame Sherry* was French, being first performed in Berlin around the turn of the century. A new adaptation by Martin Connor surfaced in Connecticut in 1989. Such a cosmopolitan history makes it entirely appropriate for the summer musical at the Guildhall School of Music and Drama, though the obvious question is whether it could stand a longer run on a bigger stage.

The answer is just possibly "yes". The Guildhall performance opens nervously, but gains confidence as it goes on. Here is a mixture of all the clichés of the musical: corny plot, shaky dialogue, sentimentality, set pieces and a happy ending. On the other hand, those are the ingredients that can make a musical work. And if you like good bad jokes, *Madame Sherry* has its stack of them: for example, "My uncle's so rich, he keeps Swiss money in American banks." The bad puns are a lot worse than that, but still appealing.

Of course, it is on the music and the lyrics that a musical stands or falls. *Madame Sherry* stands. Not only "Beautiful Doll", but also "Put Your Arms Around Me, Honey" and "Every Little Movement", all of which have taken up by later stars. In the Guildhall production, where Martin Connor directs his own adaptation, there is lovely chorus work, and some attractive staging, notably in the yacht in New York Harbour. The costumes are elegant throughout: it is a tribute to the cast that they know how to wear them.

There are good parts galore. I liked Alison Burrows's Yvonne, the girl who arrives on the New York scene having been brought up in a French convent, and her immensely tall father Theophilus, played by David Axel. Why Judy Browne's Catherine has an Irish accent is beyond me, but it adds to the teasing fun in a thoroughly enjoyable evening. The orchestra is excellent with some fine violin playing by Sonya Fairbairn.

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Meanwhile, the London International Festival of Theatre (LIFT/93) continues across the capital until July 12. Catch it where you can. I am told by those who have seen them that the itinerant Hanoi Water Puppets are sheer delight. For myself, I enjoyed without understanding the Chengdu Theatre Company's *Ripples Across Stagnant Water* at the Riverside Studio.

The play has elements of a Chinese Madame Bovary and is set, around 1900, against a background of civil strife. I cannot comment on the dialogue, but the acting, setting and musical interventions are of a very high order. One point that struck me is how easily the Chinese move from great courtesy to violence: almost in the same effortless physical movement.

Malcolm Rutherford

Madame Sherry is at the Guildhall School Theatre until July 7. (071) 638 8891

Scene from 'Ripples Across Stagnant Water'

INTERNATIONAL

ARTS GUIDE

BATIGNANO

Adam Pollock's intimate, outdoor opera festival, Musica Nel Chiostro, opens on July 22 with the first of three performances of *Le Disgrazie d'Amore* by Antonio Cesti (1667), followed in early August by six performances of Bernstein's Candide. Ends Aug 15 (0564-38096)

BREGENZ

The opera festival on the Austrian corner of Lake Constance continues to solidify its connection with front-rank British producers. Jonathan Miller's new staging of Fedora opens this year's festival on July 20, with Mara Zampieri in the title role. David Pountney produces Nabucco on the floating stage. Ends Aug 22 (05574-4920 224)

DROTTNINGHOLM

Elisabeth Söderström, much-loved Swedish soprano, has taken over as artistic director of the world's most important 18th century theatre still in action. This year's operas include Una cosa rara by Mozart's Spanish contemporary Vicente Martin Y Soler (conducted by Nicholas McGegan, first night July 10) and Grétry's beautiful Zémire et Azore (staged by John Cox). Ends Sep 4 (08-660 8225)

GLASGOW

This year's International Jazz Festival, opening tonight, balances Oscar Peterson, Nina Simone, BB King and Tony Bennett with the more exotic sounds of Don Pullen's Afro-Brazilian Connection, the Art Ensemble of Chicago and Hermeto Pascoal. Ends July 11 (041-227 5511)

MACERATA

Renato Bruson sings the title role in Rigoletto, which opens the festival on July 15. This year's other operas are Lucia di Lammermoor staged by Josef Svoboda and starring Valeria Esposito, and Le nozze di Figaro conducted by Gustav Kuhn. Ends Aug 11 (0733-230735)

MONTREUX

The Jazz Festival (July 2-17) has moved from the foreshore of Lake Geneva and the crumbling confines of the town's Casino to the shiny new Stravinsky Auditorium. Quincy Jones oversees a fortnight of showcasing from Bazil Masters (including Gilberto Gil) and Soul and Jazz (Al Green, Chaka Khan, Ramsey Lewis) to the world premiere of a new work by George Duke (featuring Stanley Clarke) and a Blues Summit with BB King and Etta James. Fringe sessions at the New Q's Club look good, with Ray Brown Trio, trumpeter James Morrison, Elvin Jones and Michel Petrucciani (021-963 8282). Montreux's classical music festival runs from Aug 20 to Sep 24 (021-963 5450)

KUHMO

To this tiny Finnish town below the Arctic Circle and just west of the Russian border, distinguished and newly acclaimed European and American ensembles and soloists come to provide up to five concerts daily, besides giving masterclasses. What makes the festival continually exciting is that so much of it consists of fine performers who have just had a few days to rehearse together. Chances are taken, spur-of-the-moment insights flashed. The atmosphere, amid all the lakes and pines, is blessedly informal. This year (July 16-Aug 1) several leading British musicians figure, and there are song recitals, Japanese concerts, the Maly Ballet and some chamber opera (086-520936)

PESARO

The Rossini opera festival opens on Aug 9 with the first of four performances of Armida, staged by Luca Ronconi and conducted by Daniele Gatti, with a cast led by Anna Caterina Antonacci, Ramon Vargas and Jeffrey Francis. This year's other production is a revival of the Pizzi staging of Maometto II starring Cecilia Gasdia. Raina Kabaivanska sings arias by Gluck, Rossini and Cherubini on Aug 18, and Maurizio Pollini gives a piano recital on Aug 21. Ends Aug 22 (0721-33184)

RAVENNA

The line-up over the coming three weeks includes concerts conducted by Muti, Gavazzeni, Boulez and Solti, plus a series of piano and song recitals. Ends July 21 (0544-32577)

SALZBURG

Gerard Mortier's second festival, opening on July 23, will be less of an explosion than last year, but the programme is still bursting with good ideas. Deborah Warner stages Shakespeare's Coriolanus alongside a revival of Peter Stein's 1992 production of Julius Caesar. This year's new opera productions are Così fan tutte (with Cecilia Bartoli and Jennifer Larmore), Lucio Silla (with Ann Murray and Luba Orgonasova) and Monteverdi's Poppea (with Sylvia McNair and Philip Langridge). Revivals include Salome (Bondy/Dohnanyi, with Catherine Malfitano and Bryn Terfel) and Falstaff (Ronconi/Solti, with José van Dam). There are concert performances of Dallapiccola's Ulisse and Nono's Prometeo. Despite the increase of contemporary music at the festival, Salzburg's luxury element continues with a parade of top-class orchestras, conductors and soloists, including the Berlin Philharmonic with Abbado, the Oslo Philharmonic with Jansons and the Vienna Philharmonic under Maazel, Ozawa and Levine. Riccardo Muti's only appearances this year will be to conduct two Jessye Norman concerts on Aug 2 and 3. A notable occasion will be the farewell concert on Aug 9 of Christa Ludwig, one of the best-loved of Salzburg veterans. Ends Aug 31 (0662-844501)

SAVONLINNA

No-one who visits Finland's premier summer festival can fail to be impressed by the stone castle courtyard in which it takes place. Poised on the edge of a lake, Olaf's Castle (Olavinlinna) is one of the world's outstanding outdoor locations for opera. The festival opens this week with a new production of Macbeth, conducted by Leif Segerstam and staged by Ralf Langbacka, with festival director Jorma Hynninen in the title role (seven performances till July 20). Fidelio (first night July 8) and Die Zauberflöte (July 2, 5, 7, 12) are both August Everding productions. Lithuanian Opera and Ballet theatre brings Nabucco (first night July 21) and Lucia di Lammermoor (July 22).

Peter Schreier gives a recital next Tues and conducts Bach's Saint Matthew Passion on July 11.

Hakan Hagegard gives a song recital on July 10. Ends July 27 (057-514700)

SPOLETO

The annual arts binge in this Umbrian town is now in full swing. This year's operas are Puccini's Trittico, staged by the festival's ageless supremo Gian Carlo Menotti in the Teatro Nuovo, and The Rake's Progress at Teatro Caio Melisso. The dance programme features American company Garth Fagan Dance and Ballet of the Deutsche Oper, Berlin, with Peter Schaufuss. Steve Berkoff directs Oscar Wilde's Salome, and there is an Italian-language production of Tennessee Williams' A Streetcar Named Desire. Plus numerous midday and piazza concerts.

Ends July 14 (Tickets 0743-40265 Information 0743-44097)

TANGLEWOOD

For more than 50 years, the Boston Symphony Orchestra's summer home has provided a relaxed setting for concerts in the heart of the Massachusetts countryside.

This year's opening events, from Thurs till Sat this week, feature the Boston Symphony Chamber Players, Juilliard String Quartet and baritone Hakan Hagegard, prior to the Boston Symphony's first orchestral performance on July 9.

On Sun, Tanglewood presents a round-the-clock Independence Day celebration culminating with an appearance by folk group Peter Paul and Mary. Ends Aug 31 (Ticketmaster Boston 617-931 2000 New York City 212-3077171)

VADSTEJNA

Vadstejna's annual opera festival, set in the historic buildings of this charming medieval town 250 km south-west of Stockholm, continues its exploration of forgotten works with Stradella's Il Trespolo tutore (1679) and Paer's I molinari (1794). The festival opens this week and runs till Aug 11 (Tickets 0143-19400 Information 0143-12229)

ARTS GUIDE

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Paternalist survivor of the seventies

BOOK REVIEW

EDWARD HEATH
A BIOGRAPHY
By John Campbell
Jonathan Cape. £20, 876 pages

Sir Edward Heath will be 77 next week. In the last words of this 876-page biography: "He has outlasted all his contemporaries [in the House of Commons]; and his reputation is beginning to be restored." In the end, it is his staying power as a politician rather than his achievements in office that continue to astound. He was prime minister for less than four years and left Downing Street in near ignominy after the general election of February 1974.

While hesitating to recommend a book of such length to busy people, I would say that it is at least as interesting as a tale of the difficulties of governing Britain as it is an account of, by any standards, a very unusual man. Practically all the problems that can ever afflict a British administration came together during Heath's premiership in the early 1970s. Unemployment passed the then politically unacceptable level of 1m. The trades unions were rampant: there was not one miners' strike, but two, the second coinciding with the threat to oil supplies from the Middle East war of 1973. Northern Ireland was at its worst.

In the midst of it all, Heath was working at his ambition and lasting achievement of taking Britain into the European Community. Even that was at least as difficult in the House of Commons as passing the treaty of Maastricht. It was secured only by the support of the Roy Jenkins wing of the Labour party and the insistence of Francis Pym, the chief whip, against all Heath's natural instincts, to allow the Tories a free vote.

It will be up to historians ultimately to judge whether the Heath government floundered because of the prime minister's peculiar temperament or whether it was precisely his single-minded determination that allowed it to achieve as much as it did. John Campbell, previously a biographer of F E Smith, Lloyd George and a short on Roy Jenkins, does not presume so far, but he offers some significant reassessments.

The first is that it is quite untrue that Heath was the forerunner of Margaret Thatcher but betrayed the new Tory faith in the market economy by a series of U-turns starting with the rescue of Upper Clyde Shipbuilders. As Campbell convincingly demonstrates, Heath was never much of a free market radical. He was a Tory paternalist who had been effectively, as chief whip, chief of staff to Harold Macmillan. He believed in regional policy, in interventionism and in keeping the closest eye on the employment figures as almost the single key political indicator.

The section on Selsdon Man is brief, but telling. The conference of the Tory shadow cabinet at the Selsdon Park Hotel in early 1970 was not especially about economic policy; it was planned simply to bring all strands of policy together ahead of a general election. Yet the media latched onto it. Iain Macleod suggested telling them that it was all about law and order, which the media fell for. It was Harold Wilson who then coined the phrase "Selsdon Man" – "a lurch to the right, an atavistic desire to reverse the course of 25 years of social revolution . . . a wanton, calculated and deliberate return to greater inequality".

Initially, the conference may have helped the Tories because the almost accidental publicity helped to show the country that there was an opposition party in waiting for government. In the longer run, however, the phrase was damaging to Heath since Selsdon Man was all that he wasn't. It represented what he later thought about Margaret Thatcher.

Campbell's other useful reassessment is on Europe. Mythology has it that Heath was a passionate European almost from his birth on the Kent coast. Possibly he was, though not everyone knew it. Campbell suggests that he was put in charge of the original, abortive negotiations with Brussels precisely because, unlike such known Europeans as Christopher Soames, Peter Thorneycroft and Duncan Sandys, he was thought to have an open mind. (Incidentally, it was from that period when he was negotiating terms for over 2,500 products that he became known as "Grocer Heath" – nothing to do with his relatively humble background.)

Campbell convincingly explains one more point. When Britain finally won entry to Europe under President Pompidou, Heath believed that the country must make a dash for growth in order to be able to keep up with its new partners. That was the misleadingly called "Barber boom". It was really the Heath boom. As Lord Barber remains reluctant to say in public, as chancellor he was desperately worried about it, just as he was about the prices and incomes policy espoused by Heath.

The lacuna, as it is in all books on the period, is on the detail of how and why Heath came to call a general election on February 28 1974. If he had held on or just possibly gone earlier, British history in the next few years might have been very different – certainly the history of the Tory party. For this we await Heath's own account, if it ever comes.

Luck has played a large part in his career, not always for ill. He was fortunate to have been number two to Lord Home at the Foreign Office. Thus he had no hesitation in supporting Home for the leadership when Macmillan resigned. In the process his own rivals were largely eliminated, and Heath became the natural successor. The strange unexplainable paradox is that in 1970 he won a general election he was expected to lose and in February 1974 lost when he was expected to win. Here surely is the case for fixed-term parliaments.

There are lots of anecdotes along the way. As a boy, Heath called his dog "Erg", after his names: Edward Richard George. Campbell forgets to tell us what kind of dog. It is also possible that the author has a peculiar animus against The Times. Lord Rees-Mogg, editor during the Heath years, will not enjoy being exposed for being almost invariably wrong in his comments.

Malcolm Rutherford

ECONOMIC VIEWPOINT

Myth of European 'competitiveness'

By Samuel Brittan

Most Western industrialised countries (in which we should nowadays include Japan) are suffering from similar problems: recession or disappointing growth; high and rising unemployment; and worries about the stability of financial institutions.

Yet so strong is the human instinct to blame everything on an external enemy or opponent that the only slogan under which statesmen can agree to discuss the problem is "lack of competitiveness". This was the theme of both Jacques Delors and John Major at the recent European Community summit in Copenhagen, although their remedies differed.

By accident or good timing, a pamphlet has landed on my desk by John Horam, a former Labour minister, who has persuaded himself that the Tories are the lesser evil and now sits as Conservative member for Orpington. The pamphlet is called Making Britain Competitive. Much of what he writes, like most of what his leader said in Copenhagen, makes eminent sense. But in both cases their arguments are spoiled by being put in the competitiveness framework.

The units that compete in world trade are – heaven be praised – individual businesses and not whole nations. One can talk about competitiveness at the national economic level only in a strictly limited sense. A country may have cost levels, at prevailing exchange rates, which are so high as to undermine solvency or to threaten jobs which would otherwise be safe. In this sense, the UK was uncompetitive – as some of us saw only with hindsight – at the old ERM exchange rate. Germany risks becoming so today.

The UK competitiveness problem was dealt with, at least for a time, by devaluation. The D-Mark has risen against some European currencies, but has fallen heavily against the yen and modestly against the dollar. It remains to be seen whether these movements will be enough.

Of course, the benefits of devaluation may be eroded by inflation, as regularly happened in the British case and could happen again. If it does – and it need not – then the UK will be seen to have a real competitiveness problem and one which cannot be tackled by monetary or exchange rate manipulation.

But if most countries, not only the UK and/or Germany, are in a position where labour costs are too high for full employment, then it ceases to make sense to talk of competitiveness. For competitiveness is a relative concept; and we cannot all be uncompetitive against each other.

The last international figure whom I remember making the point was Emile van Lennep, the Dutch secretary general of the OECD between 1969 and 1984. But Mr Van Lennep firmly rejected any diagnosis of the common problems of member countries in terms of competitiveness. "Against whom should the OECD as a whole be more competitive? Against the developing world? Against the moon?" The problem was, and is, performance, not competitiveness.

Since then, of course, many have asserted that there is, indeed, a threat from the non-OECD world, in particular the Asian developing countries and the former Communist countries of Europe.

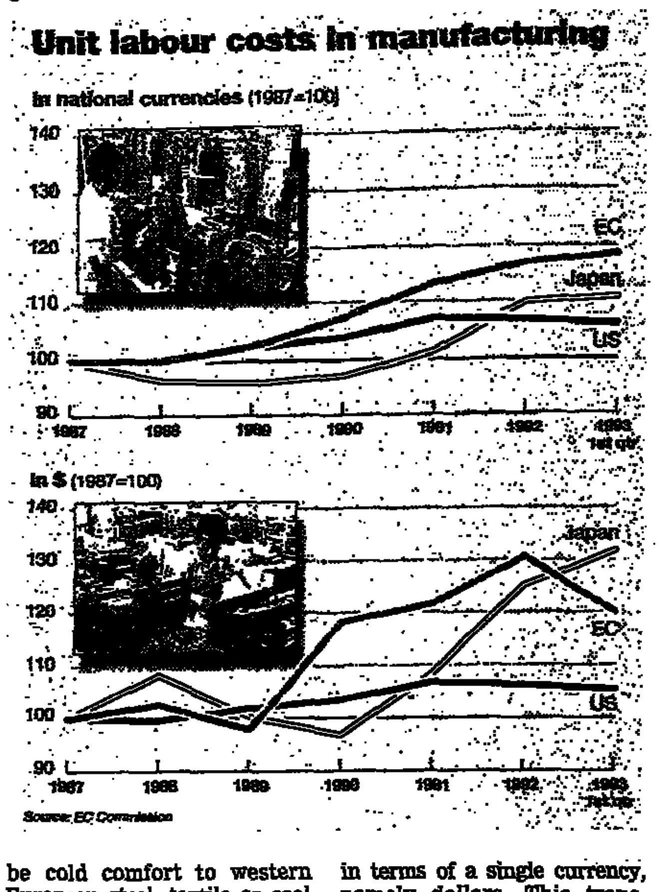
The real reason why these countries are unlikely to impose an insupportable threat to jobs in the West is that they do not export to line their bank vaults with yen, dollar and D-Mark notes, but in order to import. Western sales lost in home markets to these new competitors should be compensated by the extra purchases by these countries of western products. Indeed, with their urgent needs for imports from the West, it is inconceivable that the developing or former Communist countries should try to undervalue their currencies to maintain an export surplus. Their desire, for very good reason, is for the largest imports they can finance.

Competitiveness is relative; we cannot all be uncompetitive against each other

These general thoughts may be cold comfort to western European steel, textile or coal producers who feel themselves threatened: but the threat is to staying in the same jobs at the same pay rates – not to overall job levels.

John Major's exposition in Copenhagen was, in its statistical illustration, mostly in terms of the EC, on the one hand, and the US and Japan, on the other – in other words, the old rather than the new competitors. The estimates he cited purported to show that the EC had become more uncompetitive against both Japan and the US. This is shown in the top chart by the steeper rise of EC labour costs.

Unfortunately, the figures contained a snag. For they were in terms of national currencies, which ignores exchange rate changes. The bottom chart takes them into account by expressing all costs in terms of a single currency, namely dollars. This transforms the picture. The EC still looks as if it has become more uncompetitive against the US. But both the US and the Community seem to have become more competitive against Japan. The latter country has obviously had some success in offsetting increased labour costs by improvements in other aspects of competitiveness. Even so, Japanese industry is clearly feeling the pinch, and American demands for yet further yen appreciation verge on the ludicrous.



Bad policies would still be a threat to jobs if present in all countries to the same extent

The charts should also show the futility of conducting international economic policy in terms of competitiveness. The area against which the EC has clearly lost competitiveness is the US. But the Clinton Administration is vociferous that the US is not competitive enough. The competitiveness approach soon deteriorates into a zero-sum game in which world output and employment seem quite wrongly to be fixed and in which one group can gain only at the expense of another.

John Horam concludes his pamphlet by saying that competitiveness "usually boils down in practice to mean higher standards, being better organised and more efficient, usually also more thoughtful". Perhaps someone will think of a new slogan which will encapsulate these qualities – without suggesting that we need an interplanetary war to achieve them all over the earth.

If the seemingly inexorable rise in European unemployment from one business cycle to the next does not merely reflect uncompetitiveness against other regions, then what does it represent? John Major gave basically the correct explanation in terms of excessive pay rises (now much less true in the UK), high social overheads, the Commission Working Time Directive and other regulations which make labour too expensive. All these things, however, would still be a threat to jobs if they were present in all countries and blocs to the same extent.

What the exponents of the pricing-out-of-work hypothesis have still to explain is why the phenomenon should have got worse decade by decade since the 1970s. A first shot at an explanation is that the labour market has become more differentiated. Market-clearing pay differentials have widened out and are subject to more rapid change – a centralised pay norm would now help much less, even if we could get it. Evidence for this is the widening of pre-tax pay differentials among those who are in jobs.

The changes are much more complex than skilled workers gaining at the expense of unskilled – the German apprentice system is itself looking dated. If there is to be a return to full employment, much more effort will have to be made by employers to find pay rates at which jobs can be offered and there will need to be an end to macho-style management which measures toughness in terms of staff cuts.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Manufacturing is the key to improving standard of living

From Mr Mark H J Radcliffe.

Sir, Samuel Brittan (and Sir James Ball and Donald Robertson), far from exposing "that manufacturing fallacy again" (June 28), have highlighted an economic fallacy. Most economic commentators are undoubtedly technically correct but, in practical terms, are wrong to dismiss the importance of manufacturing in our trade balance. Britain has to balance its books better on international trade and manufactured goods if it wishes to achieve a viable economy and standard of living.

Manufactured goods account for nearly half of UK consumer spending, and three quarters of UK exports. These are produced mainly by world-class companies. Without them, much of the income from invisibles, whether royalties, dividends or profit repatriation, would not be achievable.

UK manufacturing industry provides employment for about 4.5m people, and an equal number indirectly in related services. Without this employment, the public sector borrowing requirement would escalate even further. In any event, it is unrealistic to transfer all the skills to the service industries overnight even if there was a market for them.

The high level of imports is a matter of great concern. That is why the CBI National Manufacturing Council has launched an initiative to rebuild the UK's supply base so as to meet both home and overseas demand more effectively.

Overseas investors can finance the deficit by lending or investing in the UK. Overseas countries currently own about a quarter of Britain's manufacturing industry. But if we fail to develop our manufacturing base we risk losing that as well. Manufacturing industry is the real key to wealth creation. Let us encourage it to compete internationally rather than undermine it with fallacious economic arguments.

Mark H J Radcliffe,
CBI National Manufacturing Council,
Centre Point,
103 New Oxford Street,
London WC1A 1DU

Not convinced by gas competition argument

From Ms Ruth Evans.

Sir, Your editorial, "Abolishing the gas monopoly" (June 29), is right to argue that social obligations imposed on public utilities are compatible with competition. However, in arguing for greater competition in domestic supply of gas you make one dubious point, ignore another and reach an unproven conclusion.

The electricity industry in England and Wales is not a convincing model of competition. Electricity privatisation did not result in a truly competitive market. It produced a duopoly with knobs on – with two big generators, regional supply monopolies, a subsidised nuclear sector financed by a levy on consumers' bills, and imports of French electricity subsidised by the French government. Moreover, the regulatory body, Offer, regulates prices too far downstream from the generating sector, where two-thirds of costs lie. This is not open competition.

You fail to address what benefits competition would deliver to consumers. Neither you nor Ofgas, the gas regulator, has made clear what the costs and benefits would be of the break up of British Gas's vertically integrated business. Given the limits on consumer choice over an undifferentiated product, coming from a single set of pipes, there is no guarantee that consumers would gain from the abolition of price regulation. Therefore, we are not convinced by your conclusion: "The introduction of competition would also bring nearer the day when regulation could be relaxed".

Ruth Evans,
director,
National Consumer Council,
20 Grosvenor Gardens,
London SW1W 0DH

Political donation by consensus

From Mr S G Grant,

Sir, In decision taking regarding political donations, some directors of public companies may be unconsciously influenced by their personal political views rather than by any perception of commercial benefit to their companies.

A number of leading companies do not, however, make political donations and it may be worth recalling the initiative taken by a highly regarded multinational, Unilever. It consulted all its shareholders on a "one shareholder, one vote" basis, resulting in a narrow majority in favour of political donations. But, as the result was finely balanced, the board of Unilever decided not to go ahead.

The steps taken by Unilever, perhaps carried out periodically, could provide the basis for reform to resolve this contentious issue of political donations to public companies.

S G Grant,
23 Sollershott West,
Letchworth,
Herts SG6 3PU

Rediscovered in wrong country

From Mr Mark Hannam.

Sir, With reference to Michael Prowse's review of von Mises' work ("Time to rediscover Ludwig von Mises", June 28), whether his work is or is not an extension of that of David Hume and Adam Smith, I am sure that von Mises would have known that they were Scots and not English.

Mark Hannam,
78 Mayola Road,
London E5

US labour market trend offers no solution for EC unemployment

From Mr Richard Seager.

Sir, You report that, to deal with the EC unemployment problem, John Major and others have argued for less regulation of EC labour markets ("Major fires broadside at social policy", June 22). Within the news story and your editorial ("EC plan 'from Mr Delors'") the US is presented as an example of a country where a "flexible" labour market has allowed more job creation than in the EC. The intentions of Mr Major's government further to deregulate labour markets were made clear in the report on the upcoming Trade Union Reform and Employment Bill ("A-Z of the new law for employers, workers", June 22). The law, by allowing employers to pay more to workers who forego collective bargaining rights and accept individual contracts, aims seriously to undermine the influence of unions by allowing workers to be penalised for choosing to be members of legal organisations.

The fact that anyone can present the US as an example of labour market practice astounds me. Yes, the strength of unions has diminished over the last 20 years. An important cause has been the loss of unionised manufacturing jobs and their replacement by low paying, insecure service jobs lacking union protection.

Nearly everyone agrees the overwhelming majority of jobs created in the US in the last decade have been of this type rather than of jobs allowing the middle-class existence and prospects which an earlier generation took for granted. The declining or stagnant real US wages of the last 15 years, and growing inequality, are the direct results.

Is this the shining star that EC policy makers want to follow? This is not to belittle what is a real problem. Unemployment is rife in all the industrialised countries but its solution must be coupled with moves to guarantee living standards, security and maintenance of workplace standards. How to do this is a big task requiring innovative thinking by governments, unions and employers. This is not made easier by focusing on ideological solutions or ignoring the inequality and injustice "flexible" labour markets create.

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FINANCIAL TIMES

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Thursday July 1 1993

Stop the EC waste war

LONG ACCUSTOMED to complaints from its EC partners about high interest rates, Germany now faces criticism for flooding its neighbours with another form of unhelpful export. The cause of the concern is the excessive quantity of waste packaging material generated by Germany's ambitious but ill-thought out recycling scheme.

Having bowed to pressure from environmental lobbyists for hasty introduction of a country-wide collection system, Germany now finds the results are hurting its neighbours and itself. After several skirmishes on the subject among Community environment ministers in recent months, France on Tuesday threatened to ban German imports of packaging material. Other countries may be ready to follow.

The episode highlights the need for sensible EC rules governing waste disposal in member countries. Unfortunately, an EC directive setting down common policies and objectives on packaging waste, under discussion for 2½ years, is still a long way from agreement. The issue, which has important repercussions for the functioning of the single market, has been lamentably neglected during the past year. One of the more useful contributions of the six-month Belgian EC presidency which starts today would be to clear up what is rapidly becoming an EC-wide packaging mess.

The nub of the problem is Germany's DSD recycling network, established after a 1991 law obliged manufacturers and retailers to re-absorb wrapping materials. Refuse gathered under the scheme, subsidised by both consumers and producers under a product labelling system, far outstrips the country's capacity to recycle it. As a result, large amounts of waste are roaming Europe, driving down prices for raw materials such as plastic, paper and board, and damaging recycling industries elsewhere.

The system has other important drawbacks. Rules requiring companies to take part in recycling schemes on a country-by-country basis can discriminate against importers. The main beneficiaries have been German waste contractors: risk-free intermediaries which arrange collection and recycling, and pass on the bills to the central DSD company. Reflecting rising recycling costs, the organisation itself has announced it is in danger of financial collapse.

Outside Germany, Spanish, French and UK producers have been hit by large quantities of subsidised German waste paper, while Belgium and the Netherlands have complained about too much German glass. The DSD's most counter-productive success has been in collecting plastic, which is technologically difficult - and thus uneconomic - to recycle. This year, 400,000 tonnes will be collected, of which an estimated 160,000 tonnes will be sold abroad. Indicating greater realism, Bonn now plans legislation to ease constraints on plastic incineration, which may lower excess supply.

The EC's proposed directive, in its present draft form, offers only half a solution to the free-for-all. The plan calls for countries to recover or recycle a uniform 90 per cent of all packing waste over 10 years, compared with about 20 per cent at present. What is required is a graduated set of rules for different products, linking targets to ease of recycling in different markets. In the meantime, Germany should accept self-restraint on subsidised exports of surplus material. The last thing the EC needs is a war over waste.

Mates and worse

MR MICHAEL MATES, the former Northern Ireland minister, is convinced that something is wrong with the system whereby the controversial businessman Mr Asil Nadir is, or is not, being brought to justice. Who could disagree? Mr Nadir has, with impunity, inflicted losses on hundreds of innocent people. He has obstructed the administrators of Polly Peck, the company he ran into the ground, in their attempts to retrieve something from the wreckage. He has jumped bail, despite retaining enough money to buy the services of the best lawyers in the land.

Yet Mr Mates's worries hinge on the plight of Mr Nadir, now sunning himself in Northern Cyprus. He accuses the Serious Fraud Office (SFO) of a campaign to undermine Mr Nadir's defence. In his own campaign, however, Mr Mates has signally failed to deliver persuasive evidence. Sir Nicholas Lyell, the attorney-general, was right yesterday to reject the former minister's call for a full independent inquiry and his decision to publish the relevant correspondence, albeit in edited form, is welcome.

Mr Mates's priorities look quixotic. Mr Nadir, in contrast, is no Quixote, but he must be congratulating himself on finding a Sancho Panza prepared to defend his interests to the death. The government's priority, at this stage, should still be to put Mr Nadir on trial. That may be a pious hope, but the government has little alternative but to apply further pressure on the Turkish authorities to secure Mr Nadir's return. One way or another, the founder of Polly Peck can be relied upon to continue making a fool of Britain's politicians and its courts.

Police service

YESTERDAY'S REPORT from an official committee chaired by Sir Patrick Sheehy advocates far-reaching changes to the pay and grading of police officers in England and Wales. On Monday, the government published a white paper setting out equally radical proposals to shake up police organisation and management. The two documents together provide a blueprint for overhauling Britain's police, the last public service to be subjected to the government's reforming zeal.

The proposals follow a similar route to that already taken in the health service, local government and education. At its heart is a clear distinction between the purchaser of police services, the police authority, and the provider, the police force. Police authorities will develop local policing plans, set targets, determine budgets and monitor the performance of their forces. The 43 police forces in England and Wales will provide the services, with much greater freedom for their managers, the chief constables, to manage their forces.

This approach requires that public services work to clearly-defined objectives. It should provide much greater information about how well different police forces perform in achieving their targets. And it allows comparisons to be made between forces, so that league tables can be used to identify best practice and raise the performance of under-achievers.

Inside each police force, responsibility will be delegated to line managers in individual police stations, who will be encouraged to become more responsive to their local communities. Three middle management ranks are to be abolished, and a switch made to fixed-term employment contracts. As in the rest of the public services, performance-related pay will replace the existing pay scales with their myriad allowances and automatic annual increments. In short, what is proposed is a performance culture within which good policing is rewarded and bad police officers are shunted out of the service.

All of this is welcome, and long overdue. However, setting performance targets needs finesse if the work of an organisation is not to be distorted. Targets for response times to emergency calls, for example, could be achieved by putting more police officers in cars - leaving fewer of the "bobbies on the beat" which most people say they want to see.

And in one respect, the government has failed to learn an important lesson from its reforms of other public services. Better management and tighter focus on clearly defined targets can do much to improve the efficiency of service providers. But creating effective purchasing bodies which are responsive to local needs is not achieved through unelected quangos. They lack the local representation that is essential for creating a responsive service reflecting local priorities. And absence of local accountability deprives management of warning signals that can indicate serious problems, as happened when the new computer system at the London Ambulance Service collapsed.

To his credit, Mr Michael Howard, the home secretary, has stepped back from the proposal of his predecessor, Mr Kenneth Clarke, that Whitehall nominees should dominate the reformed police authorities. But elected representatives are likely to control less than half the votes if the chairman is one of the home secretary's appointees. It is already apparent in the health service that absence of local accountability has impaired effective purchasing on behalf of communities. Ministers are heading for the same mistake in the police service.

Eddie George, who takes over today as Bank of England governor, discusses his aims with **Peter Norman** and **Richard Lambert**

A steady hand at the helm

A posse of technicians will soon be at work in the Bank of England moving a battery of computer terminals from the deputy governor's office into the governor's next door.

The move of the screens carrying market news between the two "parlours" opening on to the Bank's Garden Court will be the first visible evidence that from today a new hands-on manager, Mr Eddie George, has taken over running the Old Lady of Threadneedle Street.

The 54-year-old Mr George is a keen sailor and so sports the light tan that is *de rigueur* among modern-day central bankers. But he comes from a very different background from his patrician predecessor, Mr Robin Leigh-Pemberton.

Mr George was the Bank's deputy governor until midnight last night. He is only the third insider to take the top job since the Bank was nationalised in 1946. The computer terminals and the cigarette that is usually in his hand tell of a central banking career that has developed in a symbiotic relationship with the world of financial markets.

Interviewed in his old office this week, Mr George chose his words with a fluent caution born of 31 years working in the Bank.

Spelling out the priorities and concerns that will colour his five-year term of office, he:

- suggested Britain had the potential for recovery continuing "through the rest of this decade";
- warned that there must be limits to the protection that bank depositors can expect;
- reaffirmed his belief in more central bank autonomy while dampening expectations that he would campaign for it; and
- made clear that, while the Bank would act as the "interface" between the City and industry, it was not the governor's job to be the chief spokesman or champion of the Square Mile.

But the word that cropped up most - some 20 times in 50 minutes - was "stability".

Achieving stability is Mr George's prime policy goal. His determination to put stability first bears witness to years of frustration trying to manage monetary policy in a nation that has too often suffered inflation and lurched from slump to boom.

Ashley Ashwood

Eddie George: 'By achieving stability, you are better able to achieve growth and improvement in national wealth'

A passionate belief in stability - generally expressed in terms of low inflation - coloured his observations on many issues, ranging from the purpose and morality of monetary policy, to central bank independence and European economic and monetary union.

But first he was asked whether his elevation and the appointment of Mr Rupert Pennant-Rea, formerly editor of the Economist, as his deputy would lead to a change of style and management at the Bank after the 10-year governorship of Mr Leigh-Pemberton, who was noted more for his skill in delegation than day-to-day management.

"Yes. There will necessarily be a change of style. I was quite clearly brought up in the Bank and have been totally involved in what you might call the plumbing. So I shall continue to take an extremely close interest in the plumbing."

But being governor necessitated at least 30 days of foreign travel a year. "So, inevitably, I shall be distanced from the day-to-day affairs to a degree that I haven't been hitherto." At those times, Mr Pennant-Rea would "run the Bank in the way that I have done".

But otherwise Mr George seemed determined to stay in control. The only formal change in the management structure would be turning the existing deputy governor's committee, which has functioned as a kind of executive committee, into a more formal executive committee with Mr George, as governor, staying in charge. "I'll chair it when I'm here and Rupert will chair it when I'm away... Rupert and I, I see as being like twin arms of an armchair. I expect us to work extremely closely together."

Unlike their predecessors, both men have a clear mandate from the government to put the combat of inflation before other goals. This new framework and the government's inflation target have been "extremely helpful" and "remarkably successful", says Mr George.

Low inflation is important because it is a necessary condition for economic growth. "I think by achieving stability, you are better able to achieve sustainable growth, sustainable increases in employment, sustainable improvement in national wealth and therefore better able to achieve your social objectives, whatever they are."

It also provides a reliable basis "for taking all the major economic decisions... And I think it is the way we can move towards a long-term economy rather than a short-term economy."

'The governor should not be the chief spokesman for the City... he should be the chief spokesman for sound money'

There is a moral aspect to stability, too. "What you get if you get high and variable inflation is a totally arbitrary distribution of wealth in real terms. And I think on the whole with inflation it is the weaker sectors of society that get disadvantaged compared with the financially more sophisticated."

Indeed propagating stability is more important than achieving greater operational autonomy for the Bank, he says. Mr George's remarks suggest that he will be happy to join Mr Kenneth Clarke, the new chancellor, "sitting on the fence" in the debate about whether Britain should have a more independent central bank.

"The thing that I shall lobby for is to broaden the constituency and support for stability, because in a sense unless you actually have public, political support for stability... then greater autonomy, statutory accountability, call it what you like, wouldn't be terribly effective."

Although Mr George believes that "on balance and over time" more operational autonomy for the Bank would help it achieve stability, he concedes that "it's not, in this particular set of circumstances, a case that's made." He declines to predict that he will be running an independent Bank of England at the end of his first five-year term.

Independence is no magic black box that brings stability in its wake. "I think there is no doubt that the constituency for stability is the horse. The rest is the cart," he said.

Unlike Mr Leigh-Pemberton, the Bank's new governor is not too enthusiastic about the example of New Zealand, which has given its central bank operational independence while making it accountable to a Westminster-style parliament.

"I don't pretend to be a constitutional expert," he said, but "I do think it's quite dangerous to take any model and simply seek to transpose it internationally. There are a lot of differences between the New Zealand situation and ours. On the whole, it's a small economy, probably more sensitive to monetary instruments than ours is."

By contrast, conducting monetary policy in Britain is a complex business. According to Mr George, "400 pieces of information" have to be taken into account when changing interest rates. The Bank and government must look at the exchange rate and "all the movements of financial markets. All the monetary indicators; not just broad money. What's happening in credit. What's happening to the sectoral behaviour - the personal sector, the industrial sector, the financial sector. All the real economic indicators. The behaviour of the fall in unemployment and what that is telling us about the economy."

But are not UK interest rates changes political, rather than economic? Mr George looked slightly pained. He admitted that the precise timing of two recent base rate cuts - January 26 and last November - was influenced by political pressures. But he insists: "We took the initiative to cut interest rates in January and we did in response to the 400 or 4,000 indicators."

The word that cropped up most in the interview - some 20 times in 50 minutes - was 'stability'

However, the perception that the government was behind the move was costly. "It does have a corrosive effect over time, that it creates the impression - I think the largely false impression - that actually monetary policy is dictated by political considerations."

"It's a pity and it's expensive in the sense that perception undoubtedly increases the risk premium that is on UK rates. And you could see it created for a time a weakening in the exchange market which wasn't justified by fundamentals."

Are there not other areas where the Bank's reputation is endangered? It has had an unhappy record with bank supervision over the past decade, for example.

Mr George believes that supervision "probably can most effectively and efficiently be done here", although he is "not dogmatic or doctrinaire that the consumer protection dimension of banking supervision must remain with the Bank".

What concerns him more is the growing perception among the public in the wake of the closure of the Bank of Credit and Commerce International that bank depositors should be guaranteed against all risk.

"If you produce too much protection to depositors, you can actually undermine systemic stability through moral hazard. I would be extremely worried if people felt that simply because the name of a institution is on the list of authorised institutions that this was in some sense a guarantee against risk.

"There is risk in all financial transactions and I think it's pretty dangerous if we lead people to thinking that that can be eliminated. They need to take responsibility for what they do themselves with their money."

But does this approach to consumers mean that Mr George sees himself as a spokesman for the City? "I don't think I would feel that the governor of the Bank should be chief spokesman for the City. I think the governor should be the chief spokesman for sound money."

There are circumstances where "the governor of the Bank of England needs to represent the concerns of financial institutions if he feels they are not being understood by government," he says. But the governor is "not a champion for the financial institutions". The Bank has a "catalytic role". It tries to ensure that the conditions are right for the financial industry to prosper. But Mr George wants to "step back from the idea of being the spokesman for the City almost in opposition to other parts of the economy. I just see the City being part of my work," he says.

The clock is ticking. "Books", the morning meeting of the Bank's directors, is less than 10 minutes away and questions still have to be put about the European exchange rate mechanism and the European Community's plans for economic and monetary union.

Stability first is the watchword for Europe as well as for the UK. "I've basically had the view that you really have to achieve internal stability first. If you do that in convergence with the other major countries that will actually deliver *de facto* as much exchange rate stability as realistically is achievable," he says. "The hesitations I've always had in connection with the ERM or even more in relation to Emu is trying to do the thing the other way round, to fix the exchange rate in nominal terms and to hope or expect that that will deliver internal stability within the area of the exchange rate arrangement... I think the tensions we've seen in the past year in the context of a hardening of the ERM essentially reflect the fact that we got the cart too far ahead of the horse."

On the other hand, the Maastricht convergence criteria "are not a bad guide to sensible national policy management". It would be fine if Britain and the other EC countries eventually meet the criteria and want to go ahead with Emu, but Mr George suggests it will take longer than the final deadline of 1999 set out in the treaty.

If the rest of the UK's EC partners rush ahead with union and Britain stands aside "that wouldn't be necessarily the worst thing in the world".

Looking ahead, Britain, for once, has a "realistic chance of rather well sustained expansion", he says. Relations between the Bank and the Treasury are good. Although Mr George "hesitates to predict" that such happy circumstances will continue, he gives the appearance of a man starting his term of office in a strong and contented position.

OBSERVER

Quick and the dead

■ Slow-moving cortèges could soon be a thing of the past if we're to put a literal interpretation on the words of one Alan Edwards, president-elect of the Funeral Standards Council. "Some funeral directors are failing to keep pace with consumer expectations...", he says.

As part of its "quest for excellence", the newly-formed undertaking is to appoint a funeral ombudsman. Since there hasn't been one to deal with matters of death before, the first incumbent will be advised by the body concerned with perhaps the nearest equivalent: the Insurance Ombudsman Bureau.

Given the nature of the job, however, the council might do well to arrange for additional advice from the Society for Psychical Research. After all, to keep proper watch over the quality of services, the funeral ombudsman will need ways of hearing complaints from the principal consumers who, given modern methods of disposal, will in most cases have themselves been consumed.

Winged words

■ "What's in a name?" If Shakespeare's Juliet asked her oft-quoted question at the moment, the corporate world could supply some punny if not funny replies.

Ratners, whose name was perhaps indelibly tarnished by association with crap, has re-titled itself Signet Group.

The new name has "a nice ring to it", explains chairman Jim McAdam. Besides, in sound albeit not in spelling, it has transformed what had been an ugly duckling into a young swan.

New feathers have also been taken on by Control Securities, just switched to Ascot Holdings. Finance director John Kerslake says that although some old geezers are still around there, that is not why the new name was chosen. Nor has it anything to do with hot water.

Moreover, although it's purely a flight of fancy, Kingfisher's progress since its translation from Woolworth suggests yet a further change.

Surely Heron would do well to rename itself Phoenix now it is rising anew from the flames - lit by a Ronson, of course.

Fellow traveller

■ At risk of damning him with faint praise, Chris Green, managing director of British Rail's InterCity subsidiary, enjoys a reputation as one of the railway's brightest sparks. All the more bizarre, then, to find him going out on a limb yesterday by publishing his own rather eccentric version of InterCity's annual results.

His motives look simple enough.

'Michael Mates will be able to spend longer with Asil Nadir's family'

By defying the new (and entirely commendable) accounting standards adopted by the British Railways Board, he has created the illusion that his profits have gone up instead of down. But what on earth can have been going through his mind to make him think people would fall for such a ploy?

Unfortunately Observer was unable to ask him because he had gone on holiday to Turkey, leaving Sir Bob Reid, BR's hapless chairman, to sort out the mess. Let us hope it is a long and restful break, and that Green comes back more like his old self. Heaven knows, privatisation poses enough problems for BR without one of its most respected and influential managers going off the rails.

Hanson melody

■ *Don't call us, we'll call you.* Hanson's latest communications gimmick was the transatlantic conference call organised yesterday to broadcast news of its $3.2bn purchase of Quantum Chemical.

While waiting for the 15-minute "informational presentation" to begin, the 150 listeners in the US and the 92 in the UK were entertained with a jazzed-up rendition of Somewhere over the rainbow.

Whether the encore will be Pennies from heaven or pie in the sky, must remain to be seen.

Hot tip

■ However much the sun may shine on Britain during the rest of the present summer, certain of the Church of England's more traditionally minded members must be banking on a far sunnier one next year.

The reason lies in their belief about the Almighty's attitude to the controversial Bishop of Durham, David Jenkins, who in his past days as a professor of theology has waxed a touch sceptical about the virgin birth and the resurrection.

Three days after he was consecrated as bishop in York Minister in 1984, the building was stuck by lightning and badly damaged by fire. The traditionalists decided it was a sign of God's disapproval of the appointment.

If so, with the 68-year-old Jenkins under notice to retire in 12 months time, heaven should surely turn on the heat benignly in celebration.

Out of order

■ Britain's coppers might see BAT chairman Sir Patrick Sheehy as taking a liberty in proposing an end to the tradition of jobs for life for the men and women in blue. Although other ranks in BAT tend to retire at 60, the 62¾-year-old Sheehy has already twice delayed his departure after 43 years with the company and means to hang on for two or three more.

Approach with care

■ Notice to mariners. If the bank balance is running low it might be worth giving Salterns Marina in Poole a wide berth. It has been identified as the country's most expensive yacht marina by the Royal Yachting Association. It charges £3,889 a year, plus harbour dues, to moor a 30-foot yacht, which is nearly 50 per cent more than it costs to reserve a space in one of NCP's city car parks. Salterns' managing director John Smith is unrepentant about his charges. "Everything about this place is quality" he told Lloyd's list. "We have five gold anchors...."

FINANCIAL TIMES
Thursday July 1 1993

Eddie George cites potential for economic expansion throughout 1990s

New Bank head sees UK upturn

By Peter Norman in London

BRITAIN HAS the potential for an economic recovery that could continue through the rest of this decade, according to Mr Eddie George, the new governor of the Bank of England.

In an interview with the Financial Times, Mr George said the UK has a "realistic chance of seeing rather well sustained expansion", although he admitted that the start of the recovery would be gradual because of the large overhang of debt in the private sector.

While making clear his doubts about the European Community's plans for economic and monetary union, Mr George, who became governor today, said he believed Britain would be able to meet the convergence criteria laid out in the Maastricht treaty "over the Maastricht time scale".

His remarks suggested that the UK's ratio of annual budget deficit to gross domestic product would fall to 3 per cent of gross domestic product by the end of the decade from about 8 per cent projected by the Treasury for this financial year, and that Britain would have an inflation rate in line with the best performing EC member states at the end of the 1990s.

However, Mr George admitted that "we could always throw it away, either through policy errors or in the economy at large through bad behaviour". But he said he believed that Mr Kenneth Clarke, in describing himself as a "political chancellor", would pursue "prudent policies which offer the best chance of achieving sustainable recovery and sustainable expansion".

Mr George told the FT that he was content with the current level of UK interest rates and sterling's exchange rate.

But yesterday afternoon, when giving testimony to the House of Commons Treasury and Civil Service Committee, he said "some weight" could be taken off UK interest rates if the government succeeded in cutting its public sector borrowing requirement from the current level of £50bn a year. He added that another factor that would "tend to ease pressure" on British interest rates would be a fall in German rates.

Mr George told the FT and admitted to MPs that there were cases in the past when the tactics surrounding UK interest rate changes had been determined by political rather than monetary policy considerations. The results had been damaging for the UK economy "for a little while".

He indicated that the differences had not been so serious as to cause the Bank to "make a song and dance" about the matter.

In his comments to the Commons committee, Mr George promised that the Bank would be more open to outside scrutiny under his governorship and went further than in his FT interview in outlining the greater autonomy that he would like for the Bank of England.

He said he would favour the Bank being given a "mandate" from parliament which would set price stability as its objective and give it the tools to achieve this through the setting of short-term interest rates.

But the Bank would have to be made accountable to parliament and he was reluctant to define how this should be done. However, greater accountability would make it easier to identify those responsible for economic policy errors in the UK, he said.

The hearing in the Commons also threw more light on the role that Mr Rupert Pennant-Rea would play as deputy governor of the Bank. He said he regarded Mr Pennant-Rea, who until recently was the editor of the Economist magazine, as "a co-governor".

Steady hand at the helm, Page 17

THE LEX COLUMN

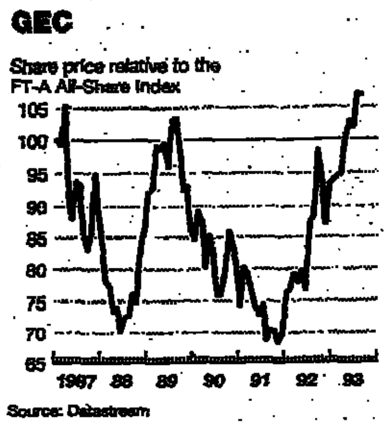
Hanson's Quantum theory

It is perhaps an indication of Hanson's stolid mass that a $3.2bn deal will have a modest impact on the company's prospects. It is also a mark of the caution in takeovers that agreed deals with appropriate due diligence are the model for the 1990s. Hanson's claim that Quantum will be mildly earnings-enhancing in 1994 looks reasonable given reduced interest costs and the improvement in operating profits which was expected prior to the deal. That said, the petrochemicals market remains fiercely competitive and further consolidation is required, as Quantum's hard-pressed position showed all too well. Yet even if Quantum's earnings double in 1995, and Hanson's rating remains unchanged, the acquisition will add less than 10 per cent to the value of the group.

The constraint on Hanson's ability to complete a very large deal is shown by the strain on its balance sheet. Gearing was 18 per cent at the last year end, but if the current transaction is completed in time to be consolidated, gearing will rise to over 80 per cent this year. In part that reflects the rise in the dollar, and interest cover is more than adequate. Nonetheless, a deal which would have had a substantial impact on Hanson's prospects would in all probability have pushed gearing to unacceptable levels.

Disposals thus seem likely, and it may be that smaller businesses in the US or even Quantum's propane retailing operation will be put on the block. For the foreseeable future, however, Hanson is stuck with organic growth and bolt-on acquisitions. A cyclical upturn would help, but it is all a far cry from the gung-ho raiding of the 1980s.

FT-SE Index: 2900.0 (+14.0)



Source: Datastream

UK gilts

The cover at yesterday's gilts auction was the lowest since January 1988, but the market was quick to overcome initial disappointment. For the time it seems determined to look on the bright side. Including funding carried over from 1992-93, the authorities have raised over £20bn so far this financial year, of which nearly £6bn has come in June. The speed with which demand revived as the market fell yesterday suggests an appetite for more despite the recent fall in yields. The Bank is so far ahead that it can afford to slow the pace of its borrowing substantially if it chooses.

With hindsight it could even be argued that low cover was a sign of how confident the market actually is. It may have deterred bargain hunters from making rogue bids. Such arguments advanced after the event, though, begin to smack of complacency. With so many gilts to sell, the authorities need the help of overseas buyers. They in turn must have some confidence in sterling's exchange rate and a reasonable yield premium over alternative paper.

The message from yesterday is that there are still enough international investors who feel comfortable even with sterling at a rate around DM2.55. But the yield differential between gilts and German bunds has shrunk to little more than 100 basis points, which starts to look tight. The markets have treated Mr Kenneth Clarke kindly so far, but he does not have much room for error. Just £350m fewer bids out of yesterday's £3.56bn would have left the auction uncovered. One wonders how quickly the market would then have regained its poise.

GEC

The travails of technology companies around the world from IBM to Philips and Olivetti go some way to justifying the caution of Lord Weinstock and GEC. Consumer electronics and basic computing have become cut-throat commodity businesses. GEC's refusal to expand into such markets earned it many critics in the late 1980s; it now looks more sensible. Meanwhile the traditional focus on cost reduction has cut working capital by a further £176m in the year just ended, albeit helped by advance customer payments.

Of the main operations GEC Alsthom, the power generation and transport joint venture has exploited worldwide demand for combined cycle gas equipment. Admittedly it is low margin business, but potential for expansion in Asia compensates for that. Defence has increased its order book by 9 per cent despite cuts in western defence budgets. Telecommunications has suffered from the reduction in BT's capital programme, but even this division will benefit in future from System X upgrading and more sophisticated software development.

GEC has shifted away from its dependence on the UK government and is also moving towards less capital intensive manufacturing areas. It stands a better chance of earning good margins in such businesses as air traffic control and medical systems. The market has markedly changed its view on the company despite the predictable earnings track. Yet GEC's capacity to capitalise on its current position will still depend on its political access to governments worldwide. That can never be fully guaranteed.

British Rail

At last, British Rail has chugged into the modern world of accounts by ascribing a balance sheet value to its track and signalling infrastructure and depreciating it over its economic life. InterCity grumbles this rather spoils its figures but the change only brings BR into line with standard practice elsewhere. It is necessary to put a commercial valuation on BR's assets even if the government's plan is for piecemeal privatisation. Only then will would-be buyers be able to see what individual parts are really worth.

BR clearly could not become a viable private sector business as it stands. An operating margin of 0.4 per cent on a turnover of £3.1bn before revenue grants is unlikely to attract any investors. In the government's scheme, BR will be fragmented into some 50 pieces and the best bits pointed towards the private sector.

Here, crude cash calculations will be the most critical factor. BR's accounting changes give the appearance of fattening up profits. Paradoxically, though, the less profitable that individual operating units are, the greater their attractions may be. Providing the government concedes large, continuing subsidies to such franchises, a higher level of fixed income would accrue to their owners. By cutting costs, private sector operators might then be able to generate a reasonable return.

US court blocks Nafta deal over environmental impact

By Nancy Dunne in Washington

US-MEXICAN relations were jeopardised yesterday after a US federal court ruling which effectively blocks approval of the North American Free Trade Agreement this year.

Mr Charles Richey, a US federal judge, yesterday blocked congressional passage of the North American Free Trade Agreement until the Clinton administration submits an environmental impact statement, a procedure which can take months or years.

Although the decision can be appealed to a higher court, that legal process is also time-consuming, and the US, Canada and Mexico have little time to spare if they are to implement Nafta as scheduled by January 1 1994.

The judge ruled that Nafta violated the National Environmental Policy Act. In a 23-page decision, he said that Mrs Carla Hills, the former US trade representative, and former president George Bush had violated the Administrative Procedures Act by negotiating and signing the treaty without first assessing the impact on the environment.

The environmental policy act requires an impact statement for "every recommendation or report on proposals for legislation and other major federal actions significantly affecting the quality of the human environment".

The judge said: "Nafta will have significant environmental effects and ... may worsen the environmental problems already existing in the United States-Mexico border area. The defendant has ignored the clear language and the legislative mandate of the [act]".

The suit was brought by three environmental groups - Public Citizen, the Sierra Club and Friends of the Earth.

Mr Michael McCloskey, chairman of the Sierra Club, said: "This critical decision means trade agreements can never be negotiated again without a conscious consideration of the environment. This is a defining moment for the future of trade agreements".

A member of the Sierra Club estimated that it would take six months to a year to complete an environmental impact statement.

Another environmentalist said the ruling would actually help the Clinton administration, giving it a rationale to delay introducing an unpopular trade agreement.

However, the judge let the administration off lightly noting that Nafta was negotiated by Mr Bush and Mrs Hills and thus this lawsuit "should not be construed as a failure of the present administration".

The Bush administration and its successor had argued in court that the requirements to submit environmental impact statements did not apply to free trade agreement.

They said it would also interfere with the president's duty to conduct foreign policy.

Agnelli says Fiat paid bribes

Continued from Page 1

way affect reliability of our financial statements since the total is no more than 0.024 per cent of consolidated stockholders' equity".

In this respect, Mr Agnelli yesterday showed his full faith in Mr Francesco Paolo Mattioli, the chief financial officer and one of the two most senior executives to be jailed while being interrogated on charges of alleged corruption. Mr Mattioli was paraded to the press to underline the point that his prison spell had not affected his job.

Defending the behaviour of around 20 executives in six companies which are involved in inquiries into corruption by magistrates, Mr Agnelli said: "Our managers claim they were obliged to make such payments to prevent their companies from being forced out of the market or to avoid harassment in the course of the public works or supply contracts."

This repeated the defensive line of most industrialists caught up in the corruption scandal - they were not the corrupters but the corrupted.

Mr Agnelli was vague about the extent of his suspicions of the level of corruption practised in Italy. But he conceded he had always had some reservations about Cogefar-Impresit, the group's construction arm.

Mr Cesare Romiti, the group's chief executive officer, also gave a robust defence of his own role in the corruption affair.

Mr Romiti claimed that when earlier this year the scale of Fiat's involvement became clear, a meeting of the group's 40-person co-ordination committee was called and a new ethical code was drawn up.

Latour

Continued from Page 1

£147m ($220m) foreign currency loss in 1991. The focus switched to international growth brands and improving return on assets.

Despite its prestige, Latour yielded profits of only £5m a year. The purchase price values it at little more than half its estimated value two years ago.

Allied, which has been associated with the vineyard for over 30 years, emerges from the deal with a small profit. It became the majority shareholder in 1988 when it paid £58m for the 53 per cent stake held by Pearson, owner of the Financial Times.

Pensions directive scrapped

Continued from Page 1

diversification rules did not go far enough. Britain had urged that the directive contain no restrictions on currencies at all but should instead require "prudent" investment.

One stumbling block appears to have come from the Dutch government which sought to exclude its ABP civil service pension scheme from the directive. The fund, by far the Netherlands' largest, is only allowed to invest up to 5 per cent of its assets abroad and the Dutch government feared the directive could prompt quick disinvestment in local markets.

Also, the French government in particular had objected to rules allowing fund managers to select a custodian for assets outside the country.

Arguments put forward by the French were that pension schemes needed to reassure themselves of the safety of their assets by requiring them to stay physically near-by.

Mr Humbert Drabbe, head of the insurance and pension funds section of the EC's internal markets and financial services division, said that it was hoped that some compromise could be reached this autumn.

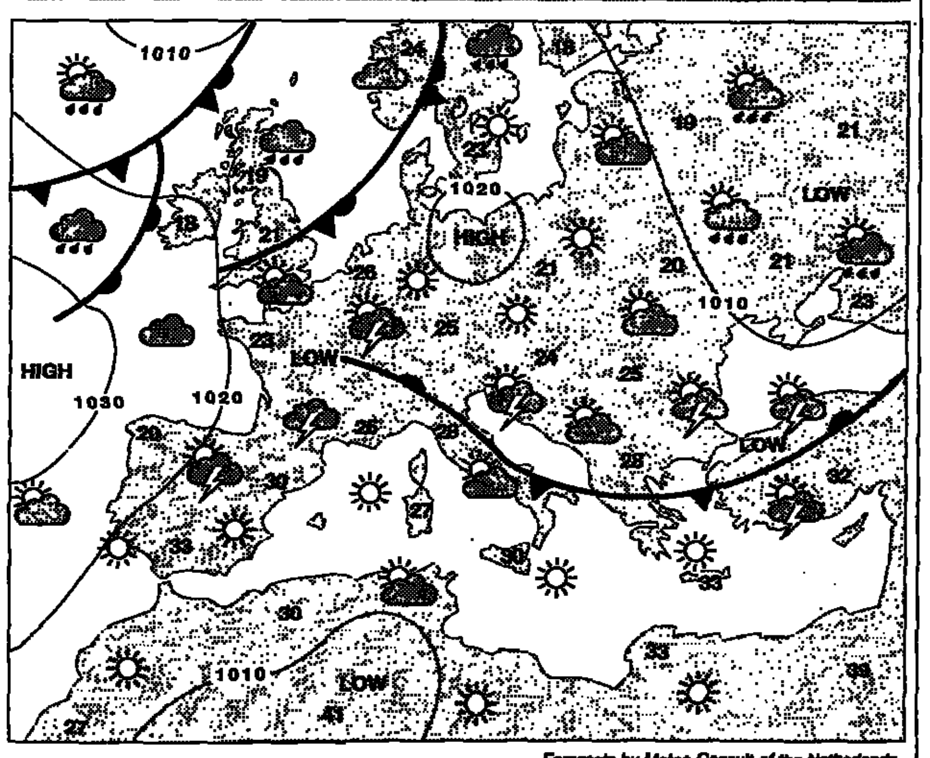
FT WORLD WEATHER

Europe today

A small area of high pressure over Denmark will cause light winds over the North Sea countries. There will be abundant sunshine over the Low Countries, Germany, and the south of Scandinavia. Afternoon temperatures will climb as high as 23-27C. Norway and parts of Sweden will face a cloudy day with local outbreaks of light rain. An active frontal disturbance approaching the Hebrides brings in rain over Scotland and Ireland. Over the northeast of Spain, France, and the north of Italy, showers will develop, some of them accompanied by thunder. Sun and tropical heat still predominate over the Mediterranean and bordering countries. Showery conditions prevail around a depression over west Russia. Thundershowers may develop over the Ukraine and locally over Turkey.

Five-day forecast

From tomorrow, a westerly airflow penetrates into the North Sea area. As a result, conditions will become less settled, especially over northern regions. Increasing high pressure over France and the Alpine states will suppress shower activity over central Europe from Saturday. The heat in Spain and Portugal will become more intense. It will remain changeable in eastern Europe.



Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Berlin	sun	23	Chicago	thund	29	Faro	sun	27	Majorca	fair	29	Rangoon	rain	30
	Celsius		Bermuda	fair	28	Cologne	sun	28	Frankfurt	sun	28	Malta	sun	31	Reykjavik	shower	10
Abu Dhabi	sun	41	Birmingham	fair	23	Copenhagen	fair	23	Geneva	thund	23	Manchester	cloudy	21	Riyadh	sun	44
Accra	thund	29	Bogota	fair	18	D'Salaam	fair	27	Glasgow	rain	20	Manila	fair	32	Rome	fair	28
Algiers	sun	30	Bombay	shower	31	Dakar	sun	30	Hamburg	sun	24	Melbourne	cloudy	16	S'Francisco	sun	25
Amsterdam	sun	25	Bordeaux	shower	23	Dallas	fair	35	Helsinki	cloudy	19	Mexico City	shower	23	Seoul	fair	27
Athens	fair	32	Brussels	sun	27	Darwin	sun	32	Hong Kong	thund	32	Miami	thund	32	Singapore	shower	30
Bangkok	fair	35	Budapest	sun	24	Delhi	fair	41	Honolulu	fair	31	Milan	thund	26	Stockholm	fair	22
Barcelona	thund	24	Buenos Aires	rain	16	Dubai	sun	41	Isle of Man	cloudy	18	Montreal	fair	26	Strasbourg	fair	27
Beijing	fair	31	Cairo	sun	39	Dublin	cloudy	19	Istanbul	fair	25	Moscow	shower	19	Sydney	fair	17
Belfast	rain	18	Cape Town	fair	21	Dubrovnik	fair	29	Jersey	fair	20	Munich	fair	24	Tel Aviv	sun	35
Belgrade	shower	25	Caracas	shower	30	Edinburgh	cloudy	20	Karachi	fair	35	Nairobi	fair	21	Tokyo	fair	24
									Kuwait	sun	45	Naples	fair	28	Toronto	fair	22
									La Paz	sun	16	Nassau	shower	31	Tunis	fair	34
									Las Palmas	fair	25	New York	fair	28	Vancouver	fair	19
									Lisbon	fair	24	Nice	shower	25	Venice	shower	26
									London	fair	24	Nicosia	sun	34	Vienna	sun	24
									Los Angeles	sun	28	Oslo	cloudy	20	Warsaw	fair	21
									Luxembourg	fair	26	Paris	shower	24	Washington	cloudy	31
									Lyon	thund	28	Perth	shower	17	Wellington	rain	8
									Madeira	fair	24	Prague	sun	22	Winnipeg	fair	24
									Madrid	fair	28	R'de Janeiro	fair	23	Zurich	fair	24

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

Audi driven into DM198m loss

Audi, the German carmaker, slumped into a DM198m ($117m) pre-tax loss in the first six months of this year as turnover tumbled almost 30 per cent to DM6bn. Global sales fell 26 per cent to 198,000 cars. Page 20

Fiat plans sell-offs to cut debt

Fiat, Italy's largest private group, plans to raise up to L3,000bn ($1.9bn) this year in asset sales to offset the cost of rising debt and the prospect of a 1993 operating loss close to L1,900bn. Page 20

Westinghouse names new head

Westinghouse Electric, the troubled US conglomerate, has named Mr Michael Jordan, a former head of international operations at PepsiCo, as its new chairman and chief executive. Page 22

HK analysts see Murdoch's return

Mr Rupert Murdoch is unlikely to shelve plans for an alliance with Hong Kong's Television Broadcasts (TVB) even though his bid to acquire 22 per cent of the company has run into regulatory difficulties, according to local media analysts. Page 23

Queueing up for take-off

The 1990s seem an unlikely time to start up an airline business but the US Department of Transportation calculates that 15 new airlines came on stream in the US in the year to April and another 20 applications are in the pipeline. Page 23

ICI calls for industry restructuring

ICI, the chemicals group, is calling for a restructuring of Europe's struggling polyurethanes industry and says it is prepared to participate. The market is struggling from a combination of over-capacity, falling demand and tumbling prices. Page 28

Hartstone stuns the City

Hartstone, the hosiery and leather goods group which has issued three profits warnings in recent months, has stunned the City with £31m ($46.5m) above the line costs, forcing it into pre-tax losses of £9.86m for the year. "The figures were a shambles," said one London analyst. Page 28

RTZ sells US interests

RTZ Corporation, the world's biggest mining group, has sold the three gold and silver mines it acquired in February when it made a $470m move into the US coal business. Page 31

Soyabeans rally in Chicago

The heaviest US rainfall in 30 years is trimming harvest prospects of maize and soyabeans. At the Chicago Board of Trade, soyabeans for harvest-time delivery have rallied 12 per cent since June 15. Page 32

Chief price changes yesterday

FRANKFURT (DM)

Rises			
PWA	152	+	6
Falls			
Daimler-Benz	613.8	-	7.9
SEHE	330.5	-	8.5
IndustrieWerke	309	-	5.5
Volkswagen	362.5	-	7.7

NEW YORK ($)

Rises			
Amer Express	31⅞	+	¼
Gillette	54⅛	+	⅜
Quantum Chem	19⅛	+	6⅝
Falls			
CompUSA	25⅝	-	3⅞
Enron	88⅛	-	2⅛
Telmex	47⅛	-	⅜

PARIS (FFr)

Rises			
AGF	580	+	13
EBF	645	+	55
Eridania B-Say	779	+	60
Paris Rescompt	375	+	18
Falls			
Club Mediterr	358	-	9.9
Gaumont (Soch)	490	-	20

TOKYO (Yen)

Rises			
Nihon Seiko	510	+	38
Toho Bank	770	+	50
Tokai Bank	1480	+	90
Towa Electron	800	+	80
Falls			
M'bishi Heavy	710	-	20
Showa Mining	322	-	28

New York prices at 12.30.

LONDON (Pence)

Rises			
AAH	185	+	10
Amber Indl	485	+	30
Electron Hse	91	+	5
Fyffes	105	+	5
Gen Accident	523	+	19
Grosvenor Dev	126	+	25
Highland Dist	338	+	10
Newman (J)	111	+	6
Pilkington	127½	+	5
Ratners	35½	+	3
Scottish TV	545	+	21
Slough Ests	215	+	10
Sterling Inds	162	+	7
Falls			
Billam (J)	279	-	24
Brooks Service	58	-	7
Clyde Blowers	633	-	57
Comac	80	-	7
Domino Print	439	-	21
Everest Foods	117	-	11
Gardner (DC)	45	-	4
Hartstone	36	-	3
Mid & Scot Res	14	-	3
Pittards	80	-	11
Ramco Oil	122	-	5

Ferruzzi plans big rights issue

By Haig Simonian in Ravenna

FERRUZZI Finanziaria, the Italian holding company saddled with total borrowings of more than L31,000bn ($20.2bn), is expected to launch a big rights issue to recapitalise its shaky finances after a special shareholders' meeting planned for August 31.

The assembly, announced at Ferfin's annual general meeting yesterday, will formally write down the debt-laden group's capital after last year's consolidated losses of L1,667bn.

Mr Carlo Sama, Ferfin's outgoing managing director, told shareholders that Ferfin's high debts and heavy interest charges had resulted in a L491.6bn loss for the parent company in the first five months of this year.

The news, combined with fears of an impending rights issue, triggered a record low in Ferfin's share price with a 10.3 per cent fall to L447.1 in Milan.

Italian company law requires a write-down if a company's losses exceed two thirds of its shareholders' funds. Approval for the write-down will almost certainly be followed by a capital increase.

The rights issue is likely to formalise the position of Ferfin's five main creditor banks, which now effectively run the group.

Earlier this month, Ferfin and members of the controlling Ferruzzi family called on the five banks to prepare a rescue package, which should be ready shortly before the special shareholders' meeting.

The banks, which could convert some of their debt into equity, yesterday began to take a bigger role at Ferfin with the confirmation of Mr Guido Rossi and Mr Enrico Bondi, two bank-appointed executives, as Ferfin's chairman and managing director respectively.

The appointments were accompanied by the resignation as chairman of Mr Arturo Ferruzzi, son of the group's founder, Mr Serafino Ferruzzi.

Mr Sama, the husband of one of the founder's daughters, also stepped down as deputy chairman and managing director, although he remains on the board.

Ferfin announced the appointment of a slimmed-down 15-person board, largely composed of existing members. The new board will remain in place until the special shareholders' meeting, after which it is expected to be slimmed down further.

Abandoned grandeur, Page 20

Goldsmith sells more Newmont shares

By Kenneth Gooding, Mining Correspondent

SIR JAMES Goldsmith, the semi-retired international financier, is for the second time taking advantage of the recovery in the gold price he helped to stimulate, by selling another substantial part of his shareholding in Newmont Mining, North America's biggest gold producer.

At yesterday's price, the public offering of a 12.5 per cent stake Newmont would bring in $440m.

This follows his sale of 9.5 per cent of Newmont to a banking consortium for about $290m on May 11 and the deal on April 23 which sparked off the present gold price surge. On that occasion sold a 10 per cent Newmont stake to Mr George Soros, another high-profile financier.

Sir James used some of the proceeds from that deal to buy call options in the gold market. This helped push the gold price to close at $378.25 in London yesterday, a rise of 16 per cent since January.

Mr Soros paid $39.50 for each Newmont share; the banking consortium re-sold its stake at $45.50 and yesterday the price was above $52.

Sir James paid $1.1bn cash or $39 a share when he and his friend Lord (Jacob) Rothschild swapped timber assets for the Hanson conglomerate's 49 per cent shareholding in Newmont in October 1990. When the public offering is completed, Sir James's investment vehicle General Oriental will retain 5 per cent of Newmont and Lord Rothschild's RIT Capital Partners, which is to contribute 1.16m Newmont shares to the offering, will have 1.5 per cent.

Analysts suggest the Newmont purchase has returned about $50m in dividends in the 2½ years, an annual yield of 1.5 per cent. It is unlikely the financiers will net more than $1.2bn from share sales so far.

Sir James, who says gold will have its day again because the world's banking system is in a mess, said GO would invest most of the proceeds of the offering in physical gold and hold more gold than cash. Analysts suggested if Sir James had paid the proceeds to buy call options this could drive gold above $400 an ounce.

Salomon Brothers, Lazard Frères and Smith Barney Harris Upham are managing the underwriting of the public offering. Some 7.65m Newmont shares will be sold in the US and 2m offered internationally.

Tony Jackson and Paul Abrahams report on UK conglomerate's bid for Quantum

Hanson bets on rebound in plastics market

Anyone who thought Hanson was settling into sedate old age was swiftly disabused yesterday. Lords Hanson and White may be getting on in years. But as their $3.2bn bid for Quantum Chemical shows, they are still good for a gamble.

In bidding for Quantum, one of America's biggest bulk petrochemicals makers, Hanson is taking on a hugely indebted company in a wickedly cyclical industry. Bulk plastics prices have plunged in the recession. In the past two years, Quantum has made net losses totalling $411m. Its net worth is minus $471m. Hanson, with no previous experience of petrochemicals, is betting the cycle is about to turn up.

If the gamble sounds heroic, Hanson is shortening the odds in three respects. First, it is paying Hanson shares for Quantum's equity, valued at $720m. Second, it will refinance Quantum's $2.5bn debt mountain at much lower rates.

Hanson has worked this tactic before, in taking over the similarly over-borrowed aggregates and housebuilding company Beazer for £351m ($526.5m) two years ago. Quantum, Hanson said yesterday, is paying rates of more than 10 per cent on its debt. "We currently borrow at less than half that rate," Hanson said. The net effect, it claims, will be a saving of $125m in the first year.

Third, Quantum has just invested $1.5bn in new plant. This gives Hanson crucial breathing space. Highly capital intensive industries such as petrochemicals can generate cash even while recording losses. This is especially true if, as in Quantum's case, there is the prospect of an investment holiday for the next few years.

But the real prize would come if the cycle turned up. Last year, Quantum made operating profits of just $61m on sales of $1.2bn. In 1988, at the peak of the cycle, it made operating profits of $760m. Hanson calculates that every cent per pound on the price of polyethylene adds $35m-$40m to profits. "We know that patience is required," Mr David Clarke, chief executive officer of Hanson Industries in the US, said yesterday. "But we would rather get in while we have a chance to buy value."

The target's US position

Market share by sector

Product	rank	market share (%)
Low density polyethylene	1	20.5
Linear low density polyethylene	3	16.5
High density polyethylene	2	13.7
Acetic acid	2	20
Vinyl acetate	2	23
Hot melt resins	1	31
Wire and cable resins	2	20
Colour concentrates	2	20
Ethanol	2	30

Source: Quantum

Though Hanson is new to the world of petrochemicals, it has plenty of experience of the bulk chemicals cycle. In 1985 Hanson acquired the US conglomerate SCM, the world's third biggest producer of the chemical pigment titanium dioxide. Hanson bought SCM at the bottom of the cycle. It then sold off the rest of the company, thus getting the titanium dioxide business almost for nothing. Then the cycle turned up, and in the late 1980s Hanson profited hugely.

What are the chances of pulling off the trick again?

All plastics are suffering from over-capacity, poor domestic demand, rock-bottom prices and a collapse in export markets, in particular to Asia.

The low density polyethylene (LDPE) sector, of which Quantum is the US's largest manufacturer, is probably the best placed of all plastics markets. The company has an annual capacity of about 717,000 tonnes and about 20.5 per cent market share.

"LDPE is profitable at the moment, and there isn't much additional capacity to come on stream," says Mr Don Bari, a partner at Chem Systems, the specialist consultants. Supply and demand is not too badly out of shape, he says, with American LDPE capacity expected to be 3.7m tonnes next year and domestic production requirements at 3.43m tonnes.

However, the outlook for linear low density polyethylene (LLDPE) and high density polyethylene (HDPE) is far grimmer. The two markets are closely linked because many US plants are capable of switching production from one to the other.

Quantum is the second largest producer of HDPE, with capacity of about 776,000 tonnes a year, and about 14 per cent of the US market. It is also the third largest US manufacturer of LLDPE with capacity of about 300,000 tonnes a year and about 16.5 per cent of the US market.

Analysts believe there is not a single manufacturer of HDPE in the US making money at the moment. From a peak of about 45 cents per lb in 1990, prices have plummeted to 28 cents. Recent attempts to raise them have been unsuccessful.

The market is unlikely to recover until 1996 at the earliest. But it could be further undermined by two new plants due to come on stream in the next 12 months, a 250,000 tonnes a year plant owned by Formosa, and a 225,000 tonnes complex built by Himont. A further 650,000 tonnes of LLDPE is due to come on stream when a Unipol plant is completed in about 1995.

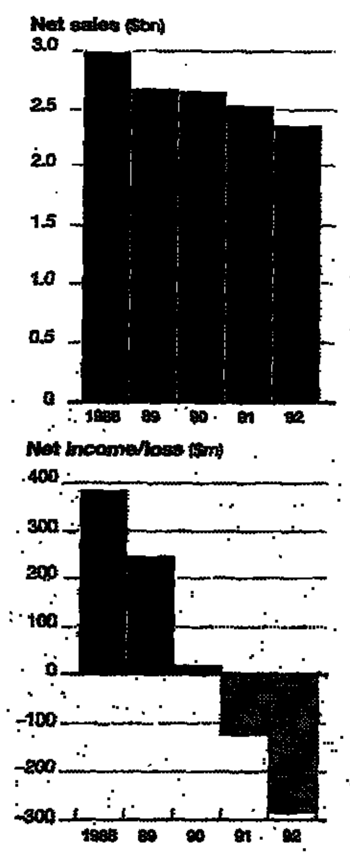
New York analysts gave the deal their cautious approval yesterday. Mr Paul Raman, of SG Warburg, said: "Fundamentally, this appears to be a good deal for both companies." Hanson, he suggested, might float off the Suburban Propane business for $400m, sell the Texas ethylene plant for $700m and shed the rest of the non-polyethylene business for $625m.

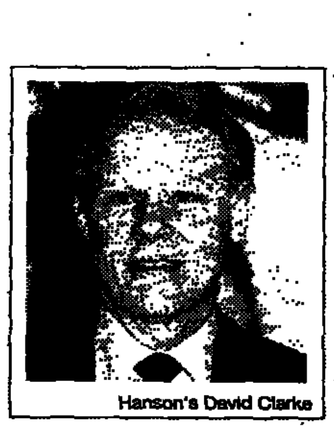
It would be surprising if Hanson has not done sums along these lines. But the key point remains the timing of the chemicals cycle. In buying Beazer, Hanson was taking a similar punt on the aggregates cycle in the US. So far, the results have been meagre. Given the higher stakes in the Quantum deal, there is less margin for error this time.

Additional reporting by Karen Zagor in New York.

Lex, Page 18

Quantum Chemical





Hanson's David Clarke

Order growth and cost cuts help GEC advance 4.1%

By Alan Cane in London

STRONG growth in orders for turbines and trains coupled with careful cost control helped GEC, the UK industrial group, push pre-tax profits to £863m ($1.2bn) last year, 4.1 per cent up on 1992.

Lord Weinstock, GEC managing director, expressed pessimism about the immediate and medium-term prospects for the UK economy. "Nothing much is going to happen. Even when the recession ends, it will never get back to where it was. Politicians are doing their best to damage confidence in investment."

Trading conditions both in the UK and overseas, where the company had 67 per cent of sales, were poor. Turnover fell to £9.41bn from £9.43bn, while operating profits slipped to £702m, against £695m, in the year to March. Earnings per share rose nearly 6 per cent to 19.7p.

An increased final dividend of 7.62p makes a total dividend of 10.3p, up 7.3 per cent.

The figures were broadly in line with analysts' expectations. The market judged the results to be sound but unexciting and the stock gained 1p to close at 339p.

Lord Prior, GEC chairman, said the company was investing heavily in the Far East and south east Asia and had won big contracts for power generation plant and other equipment in China, Malaysia, Hong Kong and Indonesia.

The UK government was showing more willingness to back its exporters through export credits in the style to which the UK's principal competitors were accustomed. "This change is to be welcomed, although Britain's manufacturing base is now unfortunately too small to bring about a rapid reversal of our large adverse balance of payments. To do this, consistent and supportive policies are required over a period of years."

The company closed the year with net cash of £1.2bn, a £415m increase. In addition, the group's share of net cash in joint ventures and main associated companies was £985m, giving total cash of £2.18bn. Interest income was £149m, 42 per cent up despite lower rates. The year-end order book stood at £12.3bn, 16 per cent higher than 1992.

About 9,600 jobs were shed during the year, reducing staff costs 7 per cent. Redundancy and restructuring amounted to £90m, £25m more than before.

Lex, Page 18;
Background, Page 31

Demand shaky at gilt auction

By Peter John in London

THE UK government yesterday carried out its biggest ever borrowing exercise, but the auction of £3.25bn ($7.5bn) of gilts was also one of its most disappointing.

The cover – the ratio of offers to accepted bids – at the Bank of England's auction was only 1.1, the worst level for five years and well down on the market's forecast of at least 1.5.

Long gilt futures at first fell sharply. However, the market's faith in UK economic trends, in particular low inflation, helped prices to more than recover the lost ground. This enabled the Bank of England to announce another £800m of 9 per cent gilts due 2008 in the late afternoon.

The low level of bidding initially raised concern that gilt yields might have to rise to enable the government to meet its £50bn borrowing requirement for 1993-94, pushing up costs.

The government is, however, well advanced with its fund raising. In the first three months of the year it has borrowed £19.5bn.

Yesterday's auction of 8 per cent gilts due 2003 was targeted at overseas investors who prefer 10-year bonds. Overseas buyers, particularly from Japan, have been piling into UK gilts recently, attracted by low inflation, slow recovery and a strengthening pound. But sterling's recent rally against a number of European currencies has diminished the opportunity for currency gains.

Demand has also been checked by a rise in gilt prices, with remaining appetite to some extent sated by three small taps last week, totalling £850m, and some unofficial gilt selling.

Mr Andy Tweed, a gilts specialist with BZW, said: "The market has been pigging itself with sweets before the main meal."

Most economists were surprised by the low cover and the unusually large "tail" – the gap between the lowest accepted bid price and the average bid price.

Mr George Magnus, economist with SG Warburg, said: "It was very disappointing, especially after the flurry of overseas buying that the market has seen for the past couple of weeks. But the fundamental economic reasons why people have wanted to buy gilts over the past two weeks have not changed."

Bonds, Page 24; Lex, Page 18

Audi prepares for 'hard work' after DM198m loss

By Christopher Parkes in Frankfurt

AUDI, the Volkswagen group's luxury car division, slumped into a DM198m ($117.1m) pre-tax loss in the first six months of this year as turnover tumbled almost 30 per cent to DM6bn

"With a lot of hard work" the company hoped to return to the black by the end of the year, but this would depend on the state of the market, Mr Franz-Josef Kortüm, chairman, told the annual meeting.

German sales are already down 20 per cent, and the motor traders' association said earlier this week that it expected new domestic registrations to fall 23 per cent for the full 12 months.

Mr Giovanni Agnelli, president of Fiat, warned yesterday that total industry car deliveries in Europe would fall 16 per cent.

Meanwhile, Audi's share of the home market has shrunk from 6 per cent a year ago to 5.6 per cent.

Employing 3,000 fewer workers than in the first half of 1992, and after 32 days when production was stopped in its two main factories, the company reduced output in the period under review by almost 32 per cent to 174,000 vehicles.

Global sales in the meantime fell 26 per cent to 196,000 cars. The difference between output and deliveries was due to heavy inventory reductions, Mr Kortüm explained.

Commenting on the deficit after a DM315m profit in the comparable part of 1992, Mr Kortüm said demand was especially strong a year earlier because of the brand's new models.

The market was also still being driven by the post-unification boom which stopped abruptly last summer to be followed by a sharp dive into recession.

The VW group earlier this year reported a first-quarter loss of DM1.25bn following Germany's plunge into recession in the second half of last year. Before the summer break, the German car market was still being strongly driven by the effects of unification.

● The fruits of a joint production venture between Audi and Porsche, the sports car maker, will be shown at the international motor show in Frankfurt in September, the two companies have announced.

Production of the new vehicle, based on the Audi Avant S2, will start early next year in Porsche's Zuffenhausen factory and profits will be shared equally between the partners.

The project demonstrated a new form of co-operation between two independent vehicle makers, the companies said. Porsche is controlled by the family of Mr Ferdinand Piëch, the VW chairman.

France Télécom bucks trend with surge to FFr3.3bn

By Alice Rawsthorn in Paris

FRANCE-TELECOM, the state-controlled telecommunications group, bucked the gloomy trend in French industry by reporting a healthy increase in net profits, from FFr2bn in 1991 to FFr3.3bn ($570m) last year.

The group, which claims to be the world's fourth largest telecommunications concern, ahead of the UK's British Telecom, saw consolidated sales rise 5.9 per cent from FFr115.8bn in 1991 to FFr122.6bn in 1992.

Operating profits increased by 5.6 per cent over the same period, to FFr30.2bn last year.

One of the main reasons for the improvement in France-Télécom's performance was the progress of its debt reduction programme.

The group managed to reduce its net debt from FFr120.6bn at the end of 1991 to FFr111.6bn by the same stage in 1992. This reduction cut its financial costs from 9.7 per cent of turnover to 8.4 per cent.

France-Télécom said it planned to reduce its debt further in 1993. Its hopes to meet its target of trimming financial costs to 7 per cent of turnover next year.

The increase in net profits also reflects France-Télécom's productivity strategy.

The group reduced its workforce from 156,100 to 155,300 last year. It also continued its policy of investing 4 per cent of turnover in research and development.

● Crédit National, the French corporate banking group, is considering taking minority stakes in some of the state-controlled companies due to be sold in the government's privatisation drive.

Mr Yves Lyon-Caen, chairman, yesterday said his group would be particularly interested in striking cross-shareholding agreements with suitable partners.

Ratners cuts losses, chooses new name

By Maggie Urry in London

RATNERS, the jewellery retailer, which last November lost Mr Gerald Ratner, its one-time chairman and chief executive, yesterday reported reduced losses and a two-year refinancing agreement with its banks.

Pre-tax losses were £40.1m ($60.15m) down from £122.3m.

Ratners also announced it was changing the company name – but not the shops – to Signet Group. However, Mr James McAdam, chairman, said that trials of new formats would include experiments with different names.

The group blamed the weak economic environment for its failure to meet sales and profit targets in the year to January. In the US, better second-half trading had caught Ratners short of stock.

Ratners shares rose 3p to 35½p and are up from a low of 11p this year.

Observer, Page 17

Ex-head of Skanska finance unit jailed

By Hugh Carnegy in Stockholm

MR LEIF Ottosson, former head of the financial subsidiary of Skanska, Scandinavia's biggest construction and property company, was jailed yesterday for one year by a Stockholm court on charges arising from a SKr518 ($66.4m) loss incurred by Skanska last year on foreign currency dealing.

Mr Ottosson, 37, was suspended as president of Skanska Kapitalforvaltning last August when the loss came to light. His speculative spree helped precipitate the resignation of Mr Lars-Ove Hakansson as chairman and chief executive of Skanska.

Skanska accused Mr Ottosson of illegal currency speculation during the summer when internal security measures were not fully enforced due to the absence of other senior executives on holiday. It said he admitted distorting reports to the board and changing figures in Skanska's computer.

The police were called in and Mr Ottosson was eventually convicted on charges of breach of trust. The currency loss contributed to Skanska's SKr3.53bn loss last year.

AGF resumes talks on Banesto unit

ASSURANCES Générales de France (AGF), the French insurer, has resumed negotiations with Banesto, the Spanish bank, over the proposed merger of Union y El Fenix (UFE), a subsidiary of Banesto, with AGF Seguros, a Spanish arm of the French group, writes Alice Rawsthorn.

The two sides broke off negotiations in late April, reportedly after AGF objected to UFE's accounting treatment of its motor insurance subsidiary.

Shareholder interest was high at two Italian meetings yesterday

Ferfin insists on competition

IN LESS than a month, the Ferruzzis, Ravenna's most famous family since the Emperor Theodoric, have hit the headlines in a dynastic decline almost as dramatic as that of their Roman predecessors.

"There isn't a family in the world which is rich enough to feed the needs of such an industrial heritage," said Mr Carlo Sama, the outgoing managing director of Ferruzzi Finanziaria (Ferfin), Italy's second-biggest private company.

Speaking at the shareholders' meeting in Ravenna, the rich and staid former capital of the western Roman empire, Mr Sama, husband of one of the three daughters of Mr Serafino Ferruzzi, the group's founder, admitted mistakes had been made in managing the group, which lost L1,667bn ($1.08bn) last year.

However, indirectly shifting the blame for the troubles to his predecessor, Mr Raul Gardini, he insisted Ferfin's spending in the past two years since he took control had been "not for grandeur, but to remain competitive on the world scale".

Raul Gardini: indirectly blamed for Ferfin's troubles

The Ferruzzi family, which has been virtually excluded from the group's management, "will continue to give its support in a different way," he said.

However, in spite of the pomp and glitter associated with the Ferruzzis in their home town, yesterday's meeting was overshadowed by reports that Milan magistrates, who are monitoring the Ferfin rescue on behalf of minority shareholders, had discovered new irregularities in the group's accounts.

The magistrates' latest move follows Monday's surprise announcement by Montedison, Ferfin's main industrial subsidiary, of additional losses of L435bn following a write-down at a little-known Curaçao subsidiary.

Mr Sama refused to comment on the reports of additional losses. "On this subject I can't help you," he told reporters angrily. Perhaps showing a deree of respect for the Ferruzzis at what will probably be the last AGM in which they retain control of Ferfin, fellow shareholders surprisingly refrained from seeking additional information from the board.

Ferruzzi maintained that its officially-declared loss, adjusted in the light of the revised Montedison figure, remained accurate.

Observers suggested the division between the company and the magistrates stemmed partly from differences over L188bn of debts attributed to an obscure Luxembourg-based Ferfin subsidiary.

A company official said the figure had been included in Ferfin's consolidated balance sheet, which showed borrowings of L31,332bn, as a credit now deemed to be irrecoverable.

He said the magistrates were possibly investigating whether the money, which Ferfin claims represents a credit to a foreign trading company, might have been used for other purposes, such as payments to Italian politicians.

Mr Sama revealed that Ferfin's sales had risen by 29 per cent to L5,689bn in the first quarter of 1993, while gross operating profits jumped 48 per cent to L718bn.

The sale earlier this year of the Erbamont pharmaceuticals subsidiary would produce an extraordinary gain of about L80bn. Erbamont would also contribute L43bn to group profits for the first months of this year before the sale.

The disposal had helped to reduce Ferfin's net indebtedness by L1,008bn to L14,115bn on March 31. The total effect on Ferfin's finances of the two-stage disposal would be a L1,860bn boost through a mixture of additional cash and reduced debts.

Haig Simonian

Agnelli maps out route for disposals

FIAT, Italy's largest private group, plans to raise up to L3,000bn ($1.9bn) this year in asset sales to offset the cost of rising debt and the prospect of a 1993 operating loss close to L1,000bn.

The Turin-based automotive group has used asset sales to shore up profits over the past two years. The sale of Fiat's 25 per cent stake in Alcatel Italia, the telecoms group formed largely from its Telettra subsidiary, raised L700bn and helped keep 1992 profits at L507bn despite losses in calming the operations.

But the divestiture target revealed yesterday by Mr Giovanni Agnelli, Fiat chairman, after the company's annual meeting, represents a far more significant disposal of non-strategic assets.

Mr Agnelli declined to say whether discussions were under way for specific disposals. But he implied Toro, Fiat's insurance arm, was first in line, and said the Rinascente stores group was being courted. He also indicated that Fiat's indirect ownership of Corriere Della Sera, the Milan newspaper held through Gemina, was not a core investment.

Mr Agnelli is due to step down at the next annual meeting after 28 years as chairman. He offered shareholders a bleak view of 1993 results against the backdrop of declining demand in the core vehicle business. In 1992, the automotive sector accounted for almost 80 per cent of the group's L59,100bn turnover.

"The figures we have for April-May not only confirm the recessionary trend but show it worsening, at least in Italy," Mr Agnelli said. In Europe he forecast a drop of 16 per cent in car sales, 17 per cent in trucks and 12 per cent in tractors.

He confirmed analysts' estimates of a 1993 operating loss of L1,000bn with revenues "roughly the same as 1992".

Giovanni Agnelli: due to step down at next year's meeting

Mr Agnelli said the group would invest L8,000bn this year which could not all be met from the group's resources. Already this year Fiat's net financial position had reached a deficit of nearly L7,000bn and could reach L10,000bn by the year end. This compares with L3,800bn at the end of 1992 but he insisted the higher borrowing would still be within sound debt-equity ratio limits. His comments were seen as an attempt to allay fears that the company was sitting in a pile of undisclosed debt.

Mr Agnelli hinted that with the coming on stream later this year of the new Melfi plant in southern Italy the recession might force Fiat to reassess the life of older plants in the north.

The group agreed to set aside L244bn to cover a reduced dividend – L100 on each ordinary and preference share and L130 on each savings share against L230 and L260 last year. It assigned L176bn to reserves.

Robert Graham

SGS

For information only
(translation)

SGS Société Générale de Surveillance Holding S.A.

Put Option Issue 1993

Pursuant to a resolution of 9th June 1993, the Board of Directors of SGS Société Générale de Surveillance Holding S.A. has decided to propose to an Extraordinary General Meeting, to be convened for 10th November 1993, a reduction in the share capital of the Company by up to 5%, from CHF 187,441,000 to CHF 178,068,950 (assuming the exercise of all the options). The transaction will be effected by the purchase by the Company, and subsequent cancellation, of a maximum of 468,602 registered shares or 93,720 bearer shares.

To this end, the Board of Directors has decided to grant, to the holders of registered shares and bearer shares, **put options** giving the right to sell registered and bearer shares to the Company.

In accordance with the above-mentioned decision

9,372,050 put options

will be granted to shareholders.

Allocation of Options

The options are all to bearer and are allocated, free of charge, on the 1st July 1993, in the following manner:

1 option per SGS registered share of CHF 20 nominal value;
5 options per SGS bearer share of CHF 100 nominal value.

For holders of registered shares, option certificates will be sent by the Company for allocation, without cost, to the bank in Switzerland nominated by the registered shareholder as address for the payment of dividend or, if not available, to the address of the shareholder shown in the register of shares. For holders of bearer shares, the options will be represented by coupon No. 28 (each coupon No. 28 representing 5 options) detached from the share certificate. Shareholders who have deposited their shares with a bank will have their put options automatically allocated in their deposit.

Option Ratios

a) 20 options give the right, during the period 1st July to 1st October 1993 inclusive, to sell to the Company one registered share of CHF 20 nominal value at a gross price of CHF 460.–, being a net amount of CHF 306.– after deduction of withholding tax calculated in the manner shown below;

b) 100 options give the right, during the period 1st July to 1st October 1993 inclusive, to sell to the Company one bearer share of CHF 100 nominal value at a gross price of CHF 2,300.–, being a net amount of CHF 1,530.– after deduction of withholding tax calculated in the manner shown below.

The option rights may be exercised in respect of the sale of either registered shares or bearer shares.

Taxation

A shareholder who sells his/her shares to the Company is subject to tax and is responsible for ensuring that he/she is appropriately advised in respect of his/her taxation position.

Swiss Withholding tax: tax at the rate of 35% of the sale price less the nominal value of the shares, is charged, giving 35% of CHF 440.– (CHF 154.–) per registered share purchased and 35% of CHF 2,200.– (CHF 770.–) per bearer share purchased. The company will deduct an amount, equal to the withholding tax arising on the sale price, for the account of the Swiss Federal Tax Authorities. The amount charged by the Company on account of withholding tax is recoverable in accordance with the appropriate legal requirements (including existing double tax treaties with Switzerland) by the shareholder exercising the option.

Swiss Federal Stamp Duty: the purchase of own shares by the Company in connection with a reduction in capital is not subject to stamp duty arising on negotiation of securities.

Swiss Direct Federal Tax: if the shares form part of the **personal assets** of the shareholder exercising the option, the sale of such shares to the Company constitutes, pursuant to the principle of direct partial liquidation, a **taxable income** equal to the difference between the nominal value of the shares and their purchase price.

If the shares form part of the **commercial assets** of the shareholder a **taxable gain** will arise equal to the difference between the book value and the purchase price of the shares. The principle of direct partial liquidation does not apply in this case.

Exercise of Option

To exercise the options, they must be returned, together with the corresponding registered shares and/or bearer shares (the latter with coupon Nos. 29 and above attached), to an office in Switzerland of Union Bank of Switzerland. The amount of the sale price, after deduction of withholding tax, will be paid, without charge, to the vendors in accordance with normal practices of the Swiss Stock Exchanges, value three days after the exercise of the option and delivery of the shares sold.

Listing

A listing of the options has been applied for and obtained on the Geneva and Zurich Stock Exchanges which will take effect from 1st July 1993 and will be maintained during the period of the options.

Prospectus

A prospectus in respect of the listing, setting out, in French, the full terms of the options, may be obtained from Union Bank of Switzerland.

Quoted prices of SGS registered and bearer shares (adjusted prices)

		1989	1990	1991	1992	1993
registered share	CHF	294/232	353/ 198	360/ 240	226/ 245	271/335
bearer share	CHF	–	1718/1036	1656/1100	1650/1190	1810/1410

prices as quoted in Zurich on 8th June 1993 registered share: CHF 314 bearer share: CHF 1540
prices as quoted in Zurich on 24th June 1993 registered share: CHF 321 bearer share: CHF 1723

This offer is not being made in the United States of America and offer material with respect to the offer may not be distributed in or sent into the United States of America. The rights described herein may be exercised only outside the United States of America.

Renewal of the offer of exchange of bons de jouissance category A
Purchase offer of Bons de Jouissance category A

Following the exchange offer made on the 14th May 1992 to the holders of bons de jouissance category A, 131,448 bons de jouissance category A have been exchanged for bearer shares in the period to 28 May 1993, being 89.08% of the 147,560 bons de jouissance category A then in circulation.

In order to offer to the holders of the remaining 16,112 bons de jouissance catgeory A the possibility of exchanging their securities for bearer shares **carrying the put options**, the exchange offer has been renewed. Furthermore, the Company is offering to purchase the outstanding bons de jouissance category A.

Exchange Offer

Offer period: 1st July to 10th August 1993 inclusive.

Exchange ratio:

6 bons de jouissance catgeory A, without nominal value, with coupon Nos. 15 and above attached, for:
5 bearer shares of CHF 100 nominal value, with coupon Nos. 28 and above attached **(including the 1993 put options)**

In order to form an integral multiple of the above exchange numbers, the purchase or sale of up to 5 bons de jouissance category A must be effected on the Swiss Stock Exchanges.

Swiss Federal stamp duty of 3% on the bearer shares issued and reserved for the exchange, together with the withholding tax of 35%, is paid by the Company.

Bearer shares, freely exchanged against bons de jouissance category A, must be declared as revenue for direct federal taxation purposes.

Given that the Company accounts for the full amount of withholding tax, the amount taken in account as revenue for direct federal taxation, **in respect of each bearer share exchanged,** is calculated in the following manner:

$$\frac{\text{CHF } 100 \times 100}{65} = 153.85$$

or CHF 128.20 per bon de jouissance category A given in exchange

The withholding tax recoverable per bearer share exchanged is as follows:

35% of CHF 153.85 = CHF 53.85

or CHF 44.85 per bon de jouissance category A given in exchange

With regard to Swiss cantonal tax, the various cantonal requirements in relation to the taxation of free shares apply. For the cantons of Bâle-Campagne, Bâle-Ville, Geneva, Lucerne, Obwald, St-Gall, Thurgovie, Uri and Zurich, the nominal value of free shares is not taxable; the only taxable amount corresponds to the withholding tax, of CHF 53.85 per bearer share of CHF 100 nominal value, paid by the Company.

The remaining cantons follow those principles which apply in respect of direct federal taxation.

Shareholders and holders of bons de jouissance category A, resident overseas, are subject to the tax legislation of their country of residence; any recovery of withholding tax is regulated by existing double tax treaties with Switzerland.

The above is given for information purposes only and, in the case of any doubt, professional tax advice should be sought.

Dividend Right:

The bearer shares exchanged against bons de jouissance carry the right to dividend in respect of the 1993 accounting period.

The bearer shares have not been registered under the United States Securities Act of 1933. Therefore, they may not be offered or sold, either directly or indirectly, in the United States of America, its territories or possessions. Furthermore, they may not be offered or sold to any person (including companies) who is a citizen of or is resident in the United States of America, its territories or posessions.

Holders of Bons de Jouissance category A resident in other overseas territories should consult their professional advisers to determine any formality or restriction relating to the acceptance of this exchange offer.

Purchase Offer

Offer Period: 1st July to 10th August 1993 inclusive.

Purchase Price:

CHF 864.50 (net) per bon de jouissance category A, without nominal value, with coupon Nos. 15 and above (being CHF 1,330 less 35% withholding tax of CHF 465.50)

Payment: 13th August 1993

Taxation:

The principles described above in respect of the issue of the 1993 put options apply, mutatis mutandis, to the purchase of bons de jouissance.

General Information

Listing:

The withdrawal of the listing of bons de jouissance category A on the Geneva and Zurich Stock Exchanges will be requested following the expiry of the exchange offer. The bearer shares are listed on the Geneva and Zurich Stock Exchanges.

Notice:

In order to give notice of the exchange or sale of bons de jouissance category A, the securities, together with coupon Nos. 15 and above attached, should be placed with an office in Switzerland of

Union Bank of Switzerland

Costs:

The exchange and/or purchase of bons de jouissance category A and the delivery of bearer shares will be carried out without cost to the holders of bons de jouissance.

Geneva, 30th June 1993

SGS Société Générale de Surveillance Holding S.A.
For the Board of Directors
Chairman: Elisabeth Salina Amorini

The listing prospectus published in the French language is the only authentic text for Stock Exchange listing purposes. A copy may be obtained from the below mentioned bank.
This announcement does not purport to be a prospectus within the meaning of Article 662a and/or 1156 of the Swiss Code of Obligations

The exchange or purchase of bons de jouissance or the exercise of the options may be carried out through an office in Switzerland of

Union Bank of Switzerland

	Value No.	ISIN
Registered Share	249.745	CH0002497458
Bearer Share	249.746	CH0002497468
1993 Put Option	089.678	CH0000896784
Bon de jouissance	249.733	CH0002497334

Westinghouse elects Jordan chief

By Martin Dickson in New York

WESTINGHOUSE Electric, the troubled US conglomerate, yesterday named Mr Michael Jordan, a former head of international operations at drink and foods group PepsiCo, as its new chairman and chief executive.

Westinghouse has been searching for a chief executive since January when Mr Paul Lego stepped down under pressure from the board and shareholders, dissatisfied at his progress in turning the company around.

Yesterday's announcement followed boardroom divisions as to whether in-bred Westinghouse should appoint to the post Mr Howard Clark, a 36-year company veteran and acting chief executive, or seek a leader from outside.

Mr Jordan indicated yesterday that he planned substantial changes, saying he saw "the new Westinghouse as smaller, but strategically sound, less affected by business cycles and more competitive".

Westinghouse, with interests ranging from nuclear power plant to radio stations, has suffered particularly from severe losses on poor property investment by its financial services unit in the 1980s.

He said it had made significant progress this year to resolve the financial services problems and added that he would be examining all the group's core businesses.

Mr Jordan is joining Westinghouse from the New York private investment firm of Clayton, Dubilier & Rice, where he has been a partner since last year.

Before that, he had worked since 1974 for PepsiCo, rising to be head of its international foods and beverages division. Between 1964 and 1974 he worked for McKinsey & Co, the management consultants.

His background in finance and consumer products contrasts with that of most Westinghouse chairmen, who have been closely involved in engineering, but Mr Jordan holds degrees in chemical engineering from Yale and Princeton universities and was certified as a nuclear engineer early in his career.

Mr Clark will remain president of Westinghouse while the company's interim chairman, Mr Richard Morrow, will stay on the board.

Heinz to buy Clorox unit

By Nikki Tait in New York

CLOROX, the California-based company best known as the largest bleach producer in the US, is selling its frozen foods business to H. J. Heinz, the US food company.

No price was disclosed, but the Clorox operations, which mainly supply the food service industry, will be incorporated into Heinz's Ore-Ida division.

Clorox, which announced last April it was negotiating over the sale of the food interests, added that it expected to show a net gain on the sale.

Clorox predicted that fourth-quarter earnings would be slightly ahead of analysts' forecasts. It told analysts that fourth-quarter and full-year earnings per share should be ahead of last year's figures by 25 per cent and 15 per cent respectively.

In the fourth quarter of 1991-92, Clorox earned 70 cents a share, before a 48 cents-a-share charge for asset write-downs. The full-year result for 1991-92 was $2.65, before one-off charges of 83 cents.

Weak prices hit PDVSA

By Joe Mann in Caracas

PETROLEOS de Venezuela (PDVSA), Venezuela's national oil company, has been hurt by weak international oil prices and high income taxes.

Net earnings for 1992 fell 25 per cent, to to US$331m from 1991's $441m.

But the company was able to make significant progress in its domestic and international investment programmes, make large cuts in operating expenses and trim borrowing requirements.

One of the world's largest oil companies, PDVSA said consolidated gross revenues in 1992 were $21.4bn, down 4 per cent from 1991's $22.3bn.

PDVSA's average export price per barrel – covering crude oil and refined products dispatched from Venezuelan ports – was $14.91 last year, 6.3 per cent below the 1991 average.

The company closed 1992 with proven crude oil reserves of 63.3bn barrels, the largest held by any country outside the Middle East.

Group acts on global multimedia standards

By Louise Kehoe in San Francisco

LEADING European, US, Australian and Canadian high-technology companies are joining forces to accelerate the acceptance of global multimedia communications by agreeing on technical standards.

Founding companies of the group are British Telecom, France Telecom, Deutsche Bundespost Telekom, International Business Machines, Intel, Northern Telecom, and Telstra.

The group, called the Multimedia Communications Community of Interest, said it would promote the use of services that would allow people in different locations to view documents, images, graphics and full-motion video on a personal computers, while simultaneously discussing and updating what they see on their PC screens.

It said the success of such international services would depend on establishing standards so that users could collaborate regardless of the computer equipment, software or telecommunications company being used.

The group also announced plans to begin a series of field trials in the first quarter of 1994 to test multimedia communications services on a co-ordinated, global basis. The group has invited other companies to join.

Pepsi in China deal

PEPSI-COLA, the US soft drinks business, and Asia Beverage Company, based in China's Guangdong province, are forming a joint venture to produce and market Asia Beverage's soft drinks throughout China, writes Nikki Tait.

Pepsi will hold the majority share - 60 per cent - in the venture company.

New president named in American Express shuffle

By Patrick Harverson in New York

AMERICAN Express, the US travel and financial services group, has reshuffled its senior management appointing Mr Jeffrey Stiefler president of the company.

Mr Stiefler, who was chief executive of American Express's financial services subsidiary IDS, takes over as president from chief executive Mr Harvey Golub, who assumes the title of chairman from Mr Richard Furlaud.

American Express said Mr Furlaud, an outside director of the company since 1972, has been elected chairman of the executive committee of the board of directors.

The changes represent a consolidation of the management installed in February following the departure of Mr James Robinson, who had run American Express for 15 years. After a protracted battle, Mr Robinson was forced out because of the poor performance of the company's various divisions, and of its share price.

The appointment of a new president, and the move of Mr Furlaud to chairman of the executive committee, are designed to spread some of the management load.

Previously, American Express was being run solely by Mr Golub, with Mr Furlaud's support.

Mr Stiefler's promotion is seen as a reward for his work at IDS, which during the group's recent troubles with its loss-making securities brokerage operations and struggling credit card business, remained a reliable source of profits. In 1992, IDS contributed $243m to the group's overall earnings of $436m.

This is the second time in a few years that IDS has proved a stepping stone for management within American Express. In 1991, Mr Golub, then head of IDS, was promoted to president of the parent group.

Bahlsen to restructure business

By Christopher Parkes in Frankfurt

BAHLSEN, the German cakes, biscuits and snacks maker, is to restructure its business with the aim of increasing European market share, according to Mr Werner Michael Bahlsen, managing director.

Split into "sweet" and "snacks" divisions, the company will focus on three brands, Bahlsen for sweet products, Leibniz in the semi-sweet mainstream biscuit market, and Bahlsen Picanterie for savoury snacks.

The group, which saw pre-tax earnings drop by more than 50 per cent last year to DM56m ($33m) on sales of DM1.8bn, compared with DM1.86bn in 1991, is also aiming to extend its eastern European business further.

Bolstered by the recent purchase of a Polish confectionery group, sales in the region should reach DM80m this year, Mr Bahlsen said yesterday.

Last year's turnover had been reduced mainly by currency fluctuations, he added. He pointed out that 1991 earnings had been boosted to DM127m partly by the sale of the Gubor subsidiary.

Volume sales rose to 278,000 tonnes, from 271,000, while the value of domestic deliveries fell from DM969m to DM929, Mr Bahlsen said.

He blamed the decline on consumers' switching to cheaper brands and the impact of the hot summer on sales of chocolate products.

Profits were also affected by increased promotional spending.

Despite the setbacks, the group claims a 19 per cent share of the German packaged cakes market, 37 per cent in biscuits and almost 27 per cent in savoury snacks.

German groups cut PVC capacity

By Christopher Parkes

HOECHST and Wacker, two leading German chemicals groups, are to close two bulk PVC factories with a combined capacity of 90,000 tonnes a year.

The moves will follow the previously-announced merger of the companies' PVC interests into a single company, Vinnolit Kunststoff, which takes effect today.

Around 100 workers will be affected by the closures, which will leave the new company with four German plants with a total of 580,000 tonnes annual capacity and 1,200 employees.

The merger was announced last November as part of Hoechst's cost-cutting programme, under which all the company's PVC interests apart from film would be merged with those of Wacker, which is 50 per cent owned by Hoechst.

Mr Wolfgang Hilger, chairman of the Frankfurt-based group, said then that the new company would command 10 per cent of the western European market, and offer savings of DM50m ($29.5m) a year.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Prices for Trading on 01.07.93: Pool purchase price £/MWh	Final Prices for Trading on 03.06.93: Pool purchase price £/MWh	Final Prices for Trading on 03.06.93: Pool selling price £/MWh
0030	18.09	19.00	19.00
0100	18.05	19.00	19.00
0130	18.04	18.51	18.51
0200	18.04	18.51	18.51
0230	18.04	19.00	19.00
0300	18.04	19.00	19.00
0330	18.04	19.00	19.00
0400	18.04	19.00	19.00
0430	18.04	18.51	18.51
0500	18.04	18.51	18.51
0530	18.08	20.49	23.71
0600	18.08	33.00	36.91
0630	18.07	33.00	33.00
0700	23.82	20.49	23.76
0730	23.93	25.43	28.79
0800	25.43	25.45	28.67
0830	28.77	25.45	28.60
0900	28.80	28.08	29.24
0930	28.99	33.00	36.39
1000	30.47	33.00	36.36
1030	30.47	33.00	36.40
1100	28.83	33.00	36.39
1130	30.50	33.00	36.39
1200	33.12	27.11	30.28
1230	33.10	27.11	30.28
1300	30.45	27.11	30.26
1330	26.41	25.45	28.52
1400	28.40	25.43	28.50
1430	26.39	25.00	28.06
1500	28.39	25.00	28.06
1530	26.39	25.00	28.06
1600	28.40	25.00	28.06
1630	35.70	33.00	36.33
1700	36.43	33.00	36.30
1730	36.43	33.00	36.31
1800	36.41	25.00	28.07
1830	36.40	25.00	28.10
1900	25.43	25.00	28.11
1930	24.35	25.00	28.12
2000	25.04	25.00	28.15
2030	24.35	19.00	19.00
2100	19.00	23.87	26.94
2130	20.50	25.00	28.15
2200	34.00	33.00	36.43
2230	42.24	33.00	36.42
2300	42.24	25.50	28.68
2330	26.90	23.58	26.74
2400	22.63	22.20	25.35

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.99/MWh becomes 1.899p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0802-458789 between 8.30am and 5.15pm Monday to Friday.
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MONTHLY AVERAGES OF STOCK INDICES

	June	May	April	March
FT-SE Actuaries Indices				
100 Index	2874.7	2830.1	2837.5	2897.1
Mid 250	3206.9	3147.1	3105.8	3110.1
350 Share	1434.0	1410.7	1409.4	1432.9
Industrial Group	1445.43	1431.20	1432.70	1465.76
500 Share	1539.22	1522.69	1522.32	1552.97
Financial Group	1046.34	1002.84	990.45	982.79
All-Share	1419.94	1397.10	1393.70	1415.40
Eurotrack 100	1183.38	1152.61	1152.22	1150.60
Eurotrack 200	1237.69	1214.80	1216.21	1217.88
FT Indices				
Government Securities	95.90	94.84	96.27	97.19
Fixed Interest	112.70	111.13	112.21	112.87
Ordinary	2249.2	2207.0	2213.2	2252.8
Gold Mines	186.1	171.4	126.4	99.7
SEAQ Bargains(4.45pm)	28,484	28,856	30,702	38,564

	Highest Close June	Lowest Close June
FT-SE 100	2907.6 (22nd)	2829.9 (4th)
FT-SE Mid 250	3235.7 (30th)	3186.3 (1st)
FT-SE 350	1447.8 (22nd)	1413.5 (4th)
FT-A All Share	1433.01 (22nd)	1400.30 (4th)
Ordinary	2277.0 (22nd)	2211.7 (1st)

INTERNATIONAL COMPANIES AND FINANCE

Murdoch TVB stake plans still on, say analysts

By Simon Holberton in Hong Kong

MR RUPERT Murdoch is unlikely to shelve plans for an alliance with Hong Kong's Television Broadcasts (TVB), even though his bid to acquire 22 per cent of the company has run into regulatory difficulties.

This is the view of local media analysts. They believe that to realise his aims in Asian broadcasting, the head of News Corporation does not need to own a significant share of TVB, given that his ambitions are regional and not just confined to Hong Kong.

If all goes well, analysts say, Mr Murdoch should be able to strike a deal giving him access to TVB's programming library and production capability, and allowing him to participate in TVB's satellite broadcasting plans.

One possibility would be for TVB to separately incorporate its film library and production facilities and sell an interest in them to Mr Murdoch. He could also partner TVB in Asian satellite broadcasting without having to own that part of TVB which has the terrestrial broadcasting licence for Hong Kong.

On Tuesday, Mr Murdoch asked the Hong Kong government to defer consideration of his HK$1.85bn (US$239m) offer to acquire a substantial shareholding in TVB from the company's two main shareholders, Sir Run Run Shaw and Malaysian financier Mr Robert Kuok.

It is understood the deferral was sought because Hong Kong's Broadcasting Authority had recommended against approval of the purchase. At issue was the waiver of a regulation which prohibits a foreigner voting more than 10 per cent of the equity of a Hong Kong television licensee.

"I still believe that TVB wants to work with News Corporation," said Mr Charles Whitworth, media analyst at Wardley James Capel. "They want access to News Corp's programming and their expertise in satellite television. But he [Mr Murdoch] does not need to own TVB to do it."

Mr Kirk Sweeney, media analyst at Lehman Brothers, said it would be a disappointment for the strategic development of both News Corp and TVB if Mr Murdoch was prohibited from acquiring a stake in the company. "Both would benefit from News Corp's participation in TVB; they could sell product in both directions," he said.

Mr Sweeney believes there were some aspects of the deal that could persuade the colony's Executive Council, or quasi-cabinet, to grant waivers, "if properly presented". One of these was the exportation of Chinese culture to North America and Europe.

Philips to show gain of Fl 1.1bn on sale

By Ronald van de Krol in Amsterdam

PHILIPS, the Dutch electronics group, stands to make an extraordinary gain of Fl 1.1bn ($579m) on the recent sale of its minority stake in a semi-conductor joint venture to Matsushita of Japan.

The gain, which is in line with analysts' predictions, will be included in second-quarter results due out on August 5.

In May, Philips announced it was selling its 35 per cent stake in Matsushita Electronics Corp to its long-standing joint venture partner, Matsushita, for Fl 3bn.

The company had declined to say how big the extraordinary gain would be. However, Philips was required to disclose the figure when filing its annual report with the Securities and Exchange Commission in the US, where it maintains a listing of ordinary shares on the New York Stock Exchange.

Philips confirmed it would be using the proceeds of the MEC sale to redeem debt and to begin the process of cutting short-term debt. Part of the proceeds will be earmarked for early redemption of Fl 540m in outstanding conversion certificates issued by its finance company.

It said the figure of Fl 1.1bn included foreign exchange gains as well as the cost of provisions needed to end or divest other parts of the Philips group. It declined to give details of the projected provisions.

The extraordinary gain will significantly boost second-quarter results. In the first quarter, Philips' net profit fell by more than one-third to Fl 103m, due mainly to a drop in orders at its communications systems business in Germany.

The divestment of MEC is expected, on balance, to be positive for Philips. The Japanese-based joint venture was barely profitable in recent years, and the reduction in debt will enable Philips to achieve savings on interest charges.

Upstart airlines reach for the US skyways

Cut-price carriers are mopping up redundant labour and lost routes, writes Nikki Tait

IT IS 11.30am at Newark Airport and Flight 7, to Atlanta, is filling up. The passengers are a motley crowd but there is coffee by the boarding gate, plus an effusive cabin attendant. And if the Boeing 727 looks a little elderly, at least it departs on time.

This is Kiwi International Air Lines, one of a crop of new airlines which have started up in the US in the past few years. Kiwi flies to just a handful of cities – Chicago, Atlanta, New York, Orlando and San Juan in Puerto Rico – and its appeal is equally simple – price.

The cost of a one-way ticket from Newark to Atlanta, with no advance purchase or minimum-stay requirements, is $119. Make the same "full fare" journey on Delta Air Lines, which dominates Atlanta's Hartsfield airport, and the price is $373.

At first sight, the 1990s seem an unlikely time to start up an airline business. Financial turbulence has caused two large carriers – Pan Am and Eastern – to go out of business, while losses at the remaining seven national airlines have topped $8bn over the past three years. Even now, Northwest Airlines, the fourth-largest carrier, is teetering on the brink of bankruptcy.

Despite this gloomy industry backdrop, the US Department of Transportation calculates that 15 new airlines came on stream in the year to April, one-third of which were neither charter nor cargo operations. Another 20 applications are in the pipeline, half of which involve jet aircraft.

There are two compelling reasons why start-up carriers are reaching for the skies. First, there is a surplus of trained labour and cheap aircraft.

Pan Am and Eastern alone employed between them almost 30,000 people immediately before their respective collapses in 1991. More recently, many of surviving US carriers – including American, Delta and United – have been contracting, shedding thousands of jobs in the process.

The 1990s seem an unlikely time to start up an airline. Financial turbulence has put two large carriers out of business

The idea to create Kiwi came from a group of former Eastern pilots who personally committed upwards of $50,000 apiece in start-up capital. Today, Kiwi's 400-plus payroll includes former employees of Midway Airlines, a smaller Chicago-based carrier which collapsed in 1992, and Pan Am.

It is not only people skills which are available. The recent airline demises – plus the shrinking of survivors – has led to a glut of aircraft, most of which are parked in the Californian desert.

Many of the new carriers use Boeing 727s or 737s, restricting their fleets to one type of aircraft to reduce maintenance costs. Lease rates are at low ebb: depending on age and model, a 727-200 can be had for under $100,000 a month.

Equally important, there is a market waiting to be served. US consumers have grown accustomed to the bargain-basement fares which resulted from savage price wars in the early 1990s, and still shop fiercely for good buys.

The big carriers, by contrast, are desperate to restore some profitability to their domestic operations, and have been trying to push up ticket prices. This task is achieved more easily in markets where they face limited competition.

When Eastern, which had been a heavy price-cutter, collapsed, Delta became the only large operator at Atlanta and immediately raised fares. For new carriers, with lower operating costs, such situations have potential.

In financial terms, the newcomers' track records are varied. Some have quickly moved into profit.

Take Nevada-based Reno Air, which will celebrate its first birthday this week. It flies a dozen aircraft, principally in the south-west, and has been firmly in the black for the past two quarters – more than can be said for many of its bigger rivals.

However, problems tend to surface when a successful niche operator takes the next leap forward, in terms of size and route structure. MarkAir, based in Anchorage, is good example.

This carrier, which began life flying oil-drilling equipment around the Alaskan outback, became a passenger carrier in the mid-1980s. In 1991, it expanded into the Pacific north-west, angering the larger Alaska Airlines. A fierce fare war developed. MarkAir filed for Chapter 11 bankruptcy protection in June 1992.

The idea to create Kiwi came from a group of former Eastern pilots, who committed upwards of $50,000 apiece

The MarkAir story is also indicative of the relationship between upstart carriers and established operators. In general, new airlines tread warily, knowing they can be targets of retaliation if they encroach too far into national carriers' territory.

Kiwi, for example, has only four flights a day during the week, between Atlanta and Newark (two in each direction). The first flight leaving Newark is not until 11.40am, making the service of limited use to business travellers.

By contrast, when Reno tried to enter the Minneapolis market, Northwest – which is based in the Minnesota city and had abandoned a Minneapolis-Reno route – responded by first re-entering this territory, at Reno-style prices.

Worse, it announced it would undercut the upstart carrier's price on other west coast routes. The Department of Transportation weighed in on Reno's side, and both carriers backed off.

Occasionally, however, the intricate world of aviation politics plays in the new carriers' favour. The giant American Airlines, for example, is trying to scale down its hub operation in San José, California, in the face of strong competition in that area from its low-cost Dallas-based rival, Southwest Airlines.

Two months ago, it agreed to sublease up to seven gates at San José to Reno, and has also offered Reno passengers the chance to earn air miles in its AAdvantage frequent flier scheme.

To economists, the ready entry of new low-cost operators is precisely what competition theory prescribes. But even in the aggressive, deregulated US airline industry, not everyone is universally welcome.

Plans by Mr Frank Lorenzo, former boss of both Eastern Airlines and Continental, to start a discount-fare airline operating between Boston, Washington and Orlando, have provoked a storm of protest from airline unions and members of Congress.

Hearings on the issue are taking place this week. It is a delicate issue which pits the principles of deregulation against one of the industry's most controversial figures.

Network unveils float rules

By Bruce Jacques in Sydney

SEVEN Network, the Australian broadcasting company, has confirmed it will have News Corporation and Telecom, the Australian telecommunications group, as founding shareholders when its flotation goes ahead.

Mr Ivan Deveson, Seven Network chairman, said News Corporation, Mr Rupert Murdoch's international media group, would hold a 15 per cent interest, and Telecom, the Australian government-owned telephone group, 10 per cent.

He said News and Telecom would be entitled to nominate one director each to the board.

Seven, which had been in the hands of its bankers following the collapse of the Qintex empire, has circulated a draft prospectus. The flotation is likely to seek between A$600m (US$402.7m) and A$725m.

The prospectus is believed to price Seven Network shares at just over eight times forecast earnings for 1994.

Dickson Concepts advances 7%

By Simon Davies in Hong Kong

DICKSON Concepts, the Hong Kong retailer and wholesaler which owns Harvey Nichols, the London department store, reported a 7 per cent increase in earnings for the year to March.

Net profit improved to HK$300.5m (US$38.5m) from HK$281.9m a year earlier. The results were a marked contrast to chairman Mr Dickson Poon's enthusiastic predictions a year earlier, and reflected weak trading conditions in Japan and Europe.

Turnover rose 8 per cent to HK$2.57bn, primarily as a result of improved sales from its distribution operations in south-east Asia.

Harvey Nichols, purchased from the UK Burton Group in 1991, made its first meaningful contribution to group earnings during the year. Analysts estimate the store made an operating profit of around HK$14m, thanks to tighter financial controls and an expansion of its sales area.

The recent focus of the group has been on China. Four outlets have been opened in Beijing, selling Charles Jourdan, Guy Laroche and S.T. Dupont products. During the current fiscal year, an additional 30 boutiques are expected to be established.

The group already distributes 11 brands of luxury watches in China. It will start marketing a new Harvey Nichols range this year.

Gillette product launch

By Nikki Tait in New York

GILLETTE, the Boston-based consumer products company, yesterday unveiled a new shaving system. It is hoping to follow up the success of its Sensor razor with the new product which, it claims, offers further technological advances.

Gillette said the new system – SensorExcel – should sell at a 15 per cent premium to Sensor. It will be launched in European markets in September. This is the first time it has launched a new "wet shaving" product outside the US.

When news of the launch surfaced last week, the company's shares moved higher, although some analysts suggested it was too soon after Sensor's 1989 launch to bring a new "wet-shaving" product to market.

Sensor has been hugely successful, helping to rebuild Gillette's image after the tumultuous 1980s, when the company was subject to two takeover threats.

Disappointing response to record £3.25bn gilt auction

By Peter John in London and Patrick Harverson in New York

THE BANK of England held one of its most disappointing gilts auctions yesterday since they were first used in 1987. However, the fundamental attractions of the UK gilt market enabled it readily to shrug off the supply pressure of what was also the biggest ever auction.

The £3.25bn sale of 8 per cent stock due 2003 had been aimed at international investors who have been heavy buyers of UK paper on the back of low inflation, low growth and the prospect of sterling appreciation.

However, over the past week, gilt prices have risen sharply and the pound has raced ahead against a number of European currencies. Yesterday's auction was covered only 1.1 times, the lowest level since January 1988.

When the auction details were announced, long gilt futures for September plunged ⅝ to 106 3/16 and both medium and long-dated bonds were sharply lower.

Nevertheless, prices began to creep higher very quickly and by the close, the September gilt contract was almost half a point higher on the day at 107 13/32.

The fundamental attractions of the market enabled the Bank of England to announce a further £800m of new stock late yesterday afternoon.

The tap of 9 per cent stock dated 2008 and priced at 108.75 per cent will be more attractive to UK institutional investors, which prefer longer-dated issues.

GOVERNMENT BONDS

■ THE BURNING issue of whether Germany will or will not cut key interest rates at its fortnightly council meeting today continued to exercise continental European government bond markets.

However, the German bund market drew no inference from the inscrutable Bundesbank and traded sideways for most of the day. Bund futures rose only 6 basis points to close at 95.86.

Dealers said the strength reflected investors switching out of the French government bond market, which many feel has risen high enough in the short term.

The rate cut pessimists pointed to the derisory reduction yesterday in the repo rate, which was shaved by only one basis point to 7.58 per cent against vague hopes earlier that it might have come down to around 7.55 per cent.

However, the enthusiasts believed that the fiscal package announced on Tuesday and due to be approved by the Cabinet in two weeks' time would provide the Bundesbank with the impetus it needs. The government wants to make spending cuts totalling DM25.25bn.

■ FRENCH government bonds were flat as the market digested the most recent unemployment data, which came in at 11.5 per cent for May against the market's expectation of around 11 per cent.

French bonds started sluggishly, with today's auctions of franc-denominated OATs and of Ecu-denominated OATs also weighing on futures as dealers set up hedges for the tender.

The September contract was down at around 119.68 at one stage but recovered later in the day to close unchanged at 119.82.

■ IN THE high yielding European government bond markets, Italian bond futures hit a record high before profit-taking saw the contract edge slightly lower on balance.

Foreign investors, who have been prepared to take the country's political uncertainty on board for the attractive returns of government paper, were encouraged by positive tax news.

The treasury has signed a decree introducing a new system for repayment of withholding tax on coupons to eligible foreign investors.

The finance ministry said the time for repayment could be cut to 35 to 40 days with the new computer-based system. At present, the repayment of the 12.5 per cent tax can take up to a year.

BTP futures for September ended the day 0.61 point higher at 103.24.

■ US TREASURY prices slipped lower in quiet trading yesterday morning as dealers and investors prepared for tomorrow's important jobs data.

By midday, the benchmark 30-year government bond was down ⅜ at 105 11/32, yielding 6.695 per cent. At the short end of the market, the two-year note was also weaker, down 1/16 at 100 5/32, to yield 4.026 per cent.

Trading was lacklustre throughout the morning, primarily because most market participants chose to stay on the sidelines until tomorrow's release of the June employment report. Expectations centre on a rise of between 100,000 and 150,000 in non-farm payrolls – an increase that would be regarded as indicative of a still-struggling, but slowly expanding, economy.

Most of yesterday's losses were concentrated at the long end of the market. They were attributed to some end-of-quarter selling by institutions, and also to reports on the Market News Service that a large number of Congressional Democrats want President Bill Clinton to drop the controversial energy tax from his deficit-reduction package.

FT FIXED INTEREST INDICES

	June 30	June 29	June 28	June 25	June 24	Year ago	High *	Low *
Govt.Secs.(UK)	97.22	97.13	97.20	96.86	96.87	89.18	98.04	93.28
Fixed Interest	115.24	115.14	114.83	114.60	114.57	105.33	115.24	106.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 115.24 (30/6/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	June 29	June 28	June 25	June 24	June 23
Gilt Edged Bargains	103.8	98.1	98.6	113.2	106.1
5-Day average	104.0	104.2	105.7	107.1	104.9

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.000	09/03	114.8746	+1.531	7.37	7.56	7.57
BELGIUM		9.000	03/03	113.6600	+0.050	6.99	7.16	7.36
CANADA *		7.250	06/03	99.2600	-0.350	7.35	7.39	7.82
DENMARK		8.000	05/03	108.0800	-0.035	6.84	7.00	7.52
FRANCE	BTAN	8.000	05/98	107.6445	+0.039	6.12	6.23	6.70
	OAT	8.500	04/03	112.4200	+0.020	6.72	6.79	7.22
GERMANY		6.75	04/03	100.9550	+0.050	6.61	6.73	6.86
ITALY		11.500	03/03	102.1300	+0.140	11.44†	11.48	12.40
JAPAN	No 119	4.800	06/99	102.8905	-0.001	4.20	4.33	4.46
	No 145	5.500	03/02	105.9676	-0.002	4.38	4.46	4.59
NETHERLANDS		7.000	02/03	103.9600	+0.330	6.42	6.50	6.70
SPAIN		10.300	06/02	100.9785	+0.056	10.12	10.14	10.65
UK GILTS		7.250	03/98	101-19	-6/32	6.84	6.95	7.14
		8.000	06/03	102-14	+7/32	7.64	7.75	8.10
		9.000	10/08	106-22	+11/32	8.00	8.11	8.50
US TREASURY *		6.250	02/03	103-13	-4/32	5.76	5.84	6.11
		7.125	02/23	105-20	-8/32	6.68	6.76	6.93
ECU (French Govt)		8.000	04/03	105.3200	-0.110	7.06	7.16	7.51

London closing, *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents). Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

NEWS IN BRIEF

Hong Kong Futures seat for Morgan Stanley

MORGAN Stanley Asia is to take a seat on the Hong Kong Futures Exchange (HKFE) and has also been accepted in principle as a clearing member of the exchange, AP-DJ reports from Hong Kong.

The group said it would be able to begin its own execution and clearing facilities in Hong Kong within the next few weeks.

Morgan Stanley recently acquired a second seat on the Hong Kong Stock Exchange. According to Mr John Wadsworth, the securities group's managing director, the move reflected the firm's rising commitment to Hong Kong and the region.

Chinese offer

Shanghai Outer Gaoqiao Free Trade Zone Development, a property developer of China's first free-trade zone in Pudong, Shanghai, will raise an aggregate HK$250m with a combined public offer and share placement, AP-DJ reports from Hong Kong.

Shanghai Gaoqiao will issue a total of 85m Class "B" shares, or 23 per cent of its enlarged share capital.

Half of the new shares will be sold by open subscription at HK$2.95 each, while the other half will be reserved for private placement at 38 US cents each.

Chinese "B" shares can only be sold in Hong Kong after the registration of a prospectus. Shanghai Gaoqiao is the first Chinese company to be registered.

FM250m for KOP

KOP's 50-year subordinated perpetual bond issue raised FM250m. The loan is to be included in the Finnish bank's Upper Tier 2 capital, Reuter reports from Helsinki.

The bank said that the bond would boost its capital adequacy ratio by 0.2 percentage points. At the end of April, KOP's capital adequacy ratio was 9.2 per cent under BIS rules.

AMP revamps investment operations

By Bruce Jacques in Sydney

AMP SOCIETY, the Australian financial services group, is revamping its Australian investment operations in a bid to improve investment performance.

The AMP, which controlled Australian investments valued at more than A$37bn at last balance date, has formed a separate company to manage its investment operations called AMP Investment Australia

Mr Andrew Threadgold, managing director, said the changes would allow the AMP more fully to focus on investment management while at the same time reducing costs.

The move is aimed at breaking the company's equity investments into smaller, separately-managed portfolios. Mr Threadgold said this should lead to a big reduction in market execution costs.

Broadly-based borrowers tap a wide range of currencies

By Sara Webb

A BROAD selection of borrowers flocked to the international bond market yesterday, tapping a wide range of currencies.

The World Bank, which launched its Y225bn global deal on Tuesday, yesterday priced the seven-year bonds to yield 12 basis points over the No 129 JGB (the indicated range had been 11 to 13 basis points over the Japanese government bond).

Goldman Sachs, which is joint lead-manager with Daiwa Europe and IBJ International, said the bonds traded up from the issue price of 99.983 to 100.07–100.10 by mid-afternoon, while the yield spread tightened to 11.5 basis points. "The deal was distributed all over the major geographical centres," according to one of the lead managers.

Japan Airlines also tapped the yen sector yesterday for a total of Y50bn, choosing to spread its borrowing burden across three separate bond issues, lead-managed by three different Japanese houses.

The bond issues, which are for aircraft financing purposes, have quite similar maturities, falling due in October 2002, July 2003 and October 2003.

INTERNATIONAL BONDS

"They (Japan Airlines) did it in three issues because they have a varied maturity requirement which makes it easier this way – however, it also helps relationships with the Japanese houses," said one Japanese lead manager. Another said: "It's very political – by doing three issues through three different houses, it gives everyone a slice of the pie." The deals were mainly aimed at Japanese investors.

In the lira sector of the market, Credit Local De France launched a L500bn zero-coupon bond with a 10-year maturity. Mr Flavio Fabbrizi, head of new issues at IMI Bank Luxembourg, which was the lead manager for the deal, said there was good demand in the Benelux countries, Germany and Switzerland, from both institutional and retail investors, given that with a zero-coupon bond investors do not have to worry about reinvesting interest payments.

The bonds were priced at 39.72, giving 38.47 after fees and providing a gross redemption yield of 10.027 per cent. The bonds later traded at 38.625–38.65.

The US dollar sector saw a wave of new issues, with a straight bond from the Development Bank of the Philippines and a handful of floating-rate notes.

The Development Bank of the Philippines upped its five-year issue from $100m to $175m, citing strong investor demand for the paper. The deal is the first five-year issue by a Philippines borrower, and extends the maturity benchmark set by the Republic of the Philippines Eurobond issue launched earlier this year.

The bond issue does not carry a national government guarantee, but was brought at a yield spread of 310 basis points over the US Treasury bond, representing an improvement over the spread obtained by the republic.

Citicorp was lead-manager for the deal.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Dev. Bank of the Philippines	175	8#	99.434R	Jul.1998	0.9375R	+310(5⅛%-98)	Citibank International
Bco. Com. Portugues Madeira‡	150	(a)	100	Jul.1998	0.125	-	JP Morgan Securities
Swedish Export Credit‡	100	(b)	100.1	Jul.1994	-	-	Lehman Brothers Intl.
ABB Intl. Finance‡	100	(b)	100.125	Jul.1994	-	-	Lehman Brothers Intl.
D-MARKS							
Arbed(c)§	125	(c)	(c)	Jul.2003	2.5	-	Merrill Lynch Bank
FRENCH FRANCS							
European Investment Bank	2bn	6.25	99.47R	Jul.1999	0.275R	+8 (8½%-99)	Crédit Lyonnais
YEN							
Japan Airlines Co.	20bn	5.45	100.125R	Oct.2002	0.5R	-	Daiwa Europe
Japan Airlines Co.	15bn	5.5	100.225R	Oct.2003	0.375R	-	Nikko Europe
Japan Airlines Co.	15bn	5.5	100.35R	Jul.2003	0.5R	-	Nomura International
Mitsubishi Kasei Corp.(d)	20bn	4.4	100.1R	Oct.1997	0.3R	-	Yamaichi Intl. (Europe)
SBAB	10bn	4.25	100R	Nov.1996	-	-	Nikko Europe
CANADIAN DOLLARS							
GECC	200	6.5	99.687R	Dec.1996	0.2R	+20 (6½%-96)	Salomon Brothers Intl.
ITALIAN LIRA							
Crédit Local de France	500bn	zero	39.72	Aug.2003	1.25	-	IMI Bank Luxembourg
SWEDISH KRONA							
Council of Europe‡	275	(e)	99.5R	Apr.2000	0.3R	-	Morgan Stanley Intl.

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Coupon pays 6-month Libor + 0.25%. b) Coupon pays 3-month Libor - 0.125%. c) Deep discount convertible bonds. Pricing: 8/7/93. Coupon indicated at 2.5 - 2.75% and conversion premium at 13 - 16%. Callable from July 1998 at par plus accrued. d) Puttable on 29/10/96 at par. e) Coupon pays 9% fixed annual in first 9 months and 14.75% - 6-month Stibor thereafter.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:55 pm on June 30

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield	OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9⅜ 94	200	105	105⅜	-¼	4.30	Arbed 7½ 95 LFr	600	100	101	+⅛	7.49
AlbertaProvince 9⅞ 95	600	109⅞	110¼	-⅛	4.76	ECSC 7¾ 94 LFr	1000	100	101	-⅛	7.75
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. [illegible] CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. [illegible]

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RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	58	5	13
Other Fixed Interest	14	0	1
Commercial, Industrial	252	249	900
Financial & Property	125	121	554
Oil & Gas	14	22	47
Plantations	0	0	8
Mines	55	14	70
Others	23	70	47
Totals	541	481	1,640

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
125	F.P.	-	132	120	AG Holdings	128	+2	R5.25	1.9	5.1	11.6
100	F.P.	-	107	90	Anagen	95		-	-	-	-
339	F.P.	-	356	356	Baring Chrysalis C	356		-	-	-	-
$10	F.P.	-	679	679	Baring Emrg Mkts	679		-	-	-	-
25	F.P.	-	40	29	Bramcliffe Aggregates	35	-2	-	-	-	-
148	F.P.	-	171	148	Carpetright	166	-2	W3.89	1.7	2.9	24.4
100	F.P.	-	100	93	China Inv. Tst.	94		-	-	-	-
-	F.P.	-	53	32	Do Warrants	53		-	-	-	-
150	F.P.	-	204	200	Crabtree	203		-	-	-	-
-	F.P.	-	16½	12	Creston Warrants	12	-4	-	-	-	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
148	Nil	13/8	20pm	16pm	Wimpey (G)	18½pm	-1

Ь Figures based on prospectus estimates. ‖ Figures based on IMR "Headline Earnings" draft proposals. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of rights. † Introduction. § Placing price. ‡ Unlisted securities market. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings June 28
- Last Dealings July 9
- Last Declarations Sep. 30
- For settlement Oct. 11

3-month call rate indications are shown in Saturday editions.

Calls in ACT, Culver, Division, Ferranti, Flextech, Medeva, Millwall, Owners Abroad, Premier Cons., Ratners, Scot. Inv Trust, Waverley Mining Fin. and Wilshaw. Put in Owners Abroad. Double in Division.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		CALLS Jul	CALLS Oct	CALLS Jan	PUTS Jul	PUTS Oct	PUTS Jan
Allied-Lyons (*537)	500	46½	61	69½	2½	9½	17½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		CALLS Aug	CALLS Nov	CALLS Feb	PUTS Aug	PUTS Nov	PUTS Feb
Brit Aero	390	28	50	63½	19½	36	44½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
Eurotunnel	390	42½	60½	-	23	35	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Wed Jun 30	Day's change %	Tue Jun 29	Accrued interest	xd adj. 1993 to date		AVERAGE GROSS REDEMPTION YIELDS		Wed Jun 30	Tue Jun 29	Year ago (approx.)
	British Government											
1	Up to 5 years (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2	5-15 years (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3	Over 15 years (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4	Irredeemables (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5	All stocks (60)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	Index-Linked											
6	Up to 5 years (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7	Over 5 years (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8	All stocks (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9	Debs & Loans (68)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Redemption Notice

BEI EIB

European Investment Bank

13% Bonds Due 1996

NOTICE IS HEREBY GIVEN, pursuant to the Fiscal Agency Agreement dated as of August 31, 1984 under which the above described Bonds were issued, that European Investment Bank has called for redemption on August 31, 1993 $25,000,000 principal amount of said Bonds at the *redemption price* of 100% of the principal amount thereof, together with accrued interest to August 31, 1993. The serial numbers of the Bonds selected for redemption are as follows:

COUPON BONDS
(All in $1,000 denomination)

(Continued on next page)

66309	68001	69610	70987	72882	74576	76142	77827	79619	81373	83202	84796	86633	88077	89854	91620	93222	94835	96365	98221	99958	101699	103129
[illegible]	68009	69614	70994	72883	74580	76145	77831	79620	81377	83223	84803	86538	88083	89870	91627	93229	94838	96568	98222	99959	101706	103153
[illegible]	68034	69615	71000	72887	74581	76160	77840	79639	81391	83234	84804	86537	88098	89879	91632	93236	94842	96571	98232	99973	101709	103163
[illegible]	68042	69624	71012	72890	74590	76161	77857	79642	81398	83248	84806	86546	88102	89911	91639	93237	94843	96577	98246	99982	101710	103168
66538	68043	69627	71019	72914	74598	76176	77858	79646	81406	83257	84821	86549	88112	89916	91646	93239	94860	96581	98256	99987	101715	103170
66550	68052	69629	71028	72922	74604	76180	77860	79661	81407	83259	84830	86556	88118	89918	91666	93254	94866	96587	98261	99997	101717	103172
[illegible]	68055	69630	71033	72923	74607	76194	77870	79670	81433	83266	84841	86574	88129	89919	91672	93257	94872	96594	98263	100004	101725	103174
66408	68056	69641	71065	72930	74620	76201	77872	79674	81456	83278	84851	86577	88135	89925	91677	93277	94878	96596	98267	100005	101734	103183
66410	68061	69647	71082	72931	74631	76208	77876	79680	81467	83302	84858	86584	88138	89940	91684	93287	94883	96598	98276	100020	101737	103194
66411	68069	69680	71070	72934	74632	76216	77889	79688	81468	83308	84878	86590	88141	89960	91691	93290	94896	96635	98279	100025	101747	103199
66431	68073	69685	71072	72935	74650	76219	77891	79691	81473	83318	84886	86600	88147	89970	91696	93300	94897	96641	98285	100037	101756	103205
66435	68077	69672	71101	72939	74654	76229	77915	79694	81474	83332	84892	86606	88155	89997	91601	93308	94913	96646	98286	100055	101761	103209
66443	68119	69682	71114	72943	74660	76266	77922	79697	81485	83337	84898	86609	88170	90006	91620	93309	94925	96659	98289	100060	101784	103221
66457	68128	69687	71116	72945	74668	76277	77948	79713	81494	83338	84905	86617	88190	90009	91633	93323	94928	96661	98292	100078	101788	103224
66469	68129	69688	71120	72950	74688	76289	77949	79719	81502	83354	84921	86640	88194	90018	91637	93330	94932	96662	98296	100079	101795	103227
66472	68136	69689	71125	72962	74698	76304	77961	79722	81506	83359	84929	86647	88197	90027	91664	93335	94942	96671	98304	100089	101796	103229
66481	68138	69693	71131	72978	74699	76319	77968	79731	81507	83363	84925	86653	88207	90038	91669	93336	94953	96681	98311	100094	101798	103231
66483	68144	69694	71132	72981	74714	76321	77971	79773	81514	83381	84934	86661	88209	90044	91684	93354	94971	96687	98314	100095	101801	103246
66484	68146	69696	71134	72982	74715	76326	77976	79782	81520	83387	84955	86662	88210	90046	91697	93357	94999	96708	98328	100101	101802	103257
66490	68150	69697	71144	73011	74721	76331	77979	79798	81521	83397	84987	86671	88213	90049	91703	93363	95000	96710	98335	100129	101807	103258
66499	68163	69702	71147	73014	74729	76342	77991	79804	81525	83399	84991	86683	88236	90050	91706	93378	95004	96711	98344	100133	101811	103272
66501	68172	69715	71153	73017	74744	76358	77998	79805	81536	83402	85029	86719	88240	90053	91709	93379	95014	96720	98366	100136	101814	103278
66511	68189	69718	71157	73042	74746	76363	78000	79828	81540	83403	85032	86760	88251	90098	91710	93382	95020	96726	98390	100141	101816	103279
66512	68199	69720	71178	73050	74755	76365	78014	79832	81563	83406	85036	86766	88268	90122	91716	93384	95021	96729	98404	100153	101825	103287
66521	68213	69721	71186	73081	74757	76362	78021	79856	81571	83409	85054	86769	88270	90124	91743	93413	95036	96731	98427	100154	101827	103304
66542	68224	69724	71193	73097	74760	76380	78040	79862	81575	83410	85063	86778	88274	90129	91757	93440	95039	96741	98429	100179	101830	103310
66544	68226	69728	71214	73108	74762	76386	78058	79863	81582	83411	85065	86783	88277	90136	91761	93443	95042	96742	98430	100200	101845	103313
66547	68227	69729	71225	73119	74763	76408	78073	79865	81589	83426	85076	86787	88280	90140	91764	93449	95048	96745	98438	100205	101859	103322
66562	68230	69748	71229	73134	74785	76420	78080	79866	81608	83427	85081	86788	88301	90171	91786	93451	95050	96750	98449	100212	101862	103327
66568	68245	69754	71248	73146	74791	76424	78093	79868	81615	83433	85093	86790	88350	90180	91792	93455	95067	96761	98457	100215	101868	103337
66570	68257	69757	71253	73151	74793	76427	78095	79869	81616	83446	85099	86791	88353	90186	91798	93462	95069	96775	98465	100223	101877	103340
66573	68261	69760	71265	73152	74796	76439	78096	79871	81633	83448	85108	86796	88367	90193	91801	93473	95072	96779	98468	100224	101898	103348
66581	68284	69775	71274	73153	74802	76448	78104	79877	81636	83452	85111	86797	88373	90204	91807	93479	95073	96787	98478	100242	101900	103352
66592	68294	69779	71275	73159	74808	76450	78108	79889	81646	83476	85112	86809	88376	90208	91831	93480	95087	96790	98479	100252	101906	103354
66604	68297	69784	71280	73174	74810	76453	78110	79893	81647	83491	85114	86815	88401	90214	91835	93483	95088	96792	98485	100254	101910	103360
66609	68303	69791	71287	73179	74813	76468	78117	79903	81662	83495	85123	86828	88405	90229	91847	93485	95099	96799	98488	100255	101920	103378
66611	68308	69794	71291	73197	74814	76474	78133	79905	81679	83528	85124	86832	88414	90235	91850	93486	95107	96803	98493	100287	101926	103383
66615	68315	69795	71296	73198	74833	76485	78150	79909	81690	83530	85126	86833	88435	90236	91853	93488	95109	96815	98496	100294	101934	103386
66621	68327	69798	71302	73212	74848	76488	78151	79935	81709	83533	85127	86836	88443	90258	91855	93497	95127	96822	98508	100295	101970	103388
66624	68339	69799	71323	73223	74861	76503	78197	79936	81725	83534	85136	86848	88444	90270	91872	93504	95130	96825	98523	100301	101975	103398
66627	68343	69716	71329	73228	74870	76518	78215	79941	81727	83536	85138	86845	88461	90273	91874	93514	95160	96833	98534	100312	101984	103399
66644	68351	69721	71339	73231	74880	76524	78231	79964	81752	83540	85141	86869	88480	90278	91877	93517	95164	96852	98543	100331	101997	103406

(Continued on next page)

[illegible]

The following Bonds each bearing the following serial numbers previously called for redemption have not as yet been presented for payment:

24	319	1179	3469	3993	5510	8641	9675	9749	73139	78671	78950	79118	79249	79739	79976	82582	82676	82805	82863	82968	88348	88455	88541	88585	88652	88704	88780	88849	88924	88993	89048	100682	136723	136835	187107	187189
35	342	1202	3478	3994	5512	8897	9676	9763	73140	78674	78951	79123	79268	79772	82170	82593	82683	82807	82884	82975	88349	88456	88550	88587	88654	88712	88786	88857	88941	88996	89051	104859	136726	136841	187111	187203
58	349	1230	3513	3996	5518	8899	9679	9767	73142	78677	78954	79124	79270	79776	82177	82596	82686	82823	82896	82978	88379	88469	88553	88596	88662	88729	88705	88858	88945	89003	89053	136649	136731	136847	187128	187206
72	353	1264	3518	3997	8550	8902	9686	20958	73694	78680	78967	79179	79307	79779	82542	82599	82688	82837	82908	82981	88382	88472	88556	88603	88666	88730	88798	88868	88950	89009	89063	136653	136739	136850	187129	192825
73	366	1272	3520	4000	8555	8904	9687	21027	74748	78683	78960	79182	79316	79791	82548	82609	82691	82839	82914	82991	88398	88477	88567	88604	88667	88734	88801	88877	88962	89015	89075	136655	136796	136852	187141	
298	950	1474	3604	4845	8556	8910	9690	22281	78539	78886	78980	79187	79319	79881	82555	82637	82698	82840	82918	82997	88410	88483	88569	88609	88673	88736	88805	88893	88908	89018	89287	136667	136800	136873	187154	
309	964	1499	3618	4915	8559	9615	9691	24276	78659	78908	79088	79196	79321	79951	82564	82641	82737	82841	82921	88588	88413	88515	88570	88612	88675	88744	88807	88900	88969	89023	89589	136668	136802	149890	187156	
310	1099	1562	3648	5378	8563	9656	9697	24286	78662	78913	79091	79200	79323	79955	82569	82645	82753	82850	82942	88332	88417	88520	88579	88615	88680	88746	88826	88907	88972	89039	89808	136677	136806	149893	187162	
314	1115	1601	3990	5394	8613	9658	9718	53264	78665	78914	79100	79204	79733	79967	82573	82654	82786	82851	82965	88338	88430	88525	88581	88638	88691	88759	88827	88911	88974	89043	93284	136698	136808	161038	187168	
318	1177	1622	3991	5396	8615	9670	9743	73137	78668	78947	79117	79207	79736	79971	82578	82674	82706	82853	82956	88340	88438	88526	88582	88649	88697	88776	88838	88915	88984	89044	98148	136720	136829	168766	187179	

On August 31, 1993 there will become due and payable upon each Bond selected for redemption the said redemption price, together with interest accrued to August 31, 1993. Payment of the redemption price of the Bonds to be redeemed will be made in such coin or currency of the United States of America as at the time of payment is legal tender therein for the payment of public and private debts thereon, upon presentation and surrender of said Bonds, with all coupons appertaining thereto maturing after August 31, 1993, at the holder's option and subject to applicable laws and regulations at the main offices of Caisse d'Espargne de l'Etat and Citibank (Luxembourg) S.A. in Luxembourg, Citibank, N.A. in London and Deutsche Bank AG in Frankfurt am Main.

On and after the date fixed for redemption interest on said Bonds will cease to accrue. Coupons due August 31, 1993 should be detached from the Bonds and presented for payment in the usual manner.

For EUROPEAN INVESTMENT BANK
CITIBANK, N.A.
as Fiscal Agent.

July 1, 1993

COMPANY NEWS: UK

Struggling European market hit by falling prices

ICI seeks restructure of polyurethane industry

By Paul Abrahams

IMPERIAL Chemical Industries, the chemicals group, is calling for a restructuring of Europe's struggling polyurethanes industry.

The company, which views the sector as one of its core businesses, said it was prepared to participate in any restructuring. The market is struggling from a combination of over-capacity, falling demand and tumbling prices.

Mr Richard Stillwell, managing director of ICI polyurethanes, said: "If prices continue to fall, there will have to be rationalisation. If we were approached by someone we might well be interested."

The European market will have fallen between 5 per cent and 6 per cent this year after static growth in 1992, according to ICI. That compares with growth of up to 7 per cent during the late 1980s.

ICI said the polyurethane sector's plight has been aggravated by large slugs of new capacity coming on stream. The European industry has a capacity of about 12m tonnes a year, of which about 140,000 tonnes is excess.

Mr Stillwell said: "We would like to build on our areas of strengths. If anyone offered us a component part of the MDI market we might be interested." MDI (diisocyanato-diphenyl-methane) is a raw material for polyurethanes.

ICI's areas of strength include supplying the automotive, consumer appliance and footwear industry.

The industry must take some imaginative steps, said Mr Stillwell. ICI might consider doing an asset swap, even though its polyurethanes operations were not overburdened with non-core activities.

Bayer, the German group, has added a new production line at a plant in Spain, whose 65,000 tonnes capacity was only partly offset by the closure of a small production line.

Meanwhile, BASF of Germany has acquired an east German plant, adding about 35,000 tonnes a year to capacity, which it may have also increased thanks to bottlenecking. Dow of the US has also bought a new plant with a 65,000 tonnes a year capacity.

Prices have fallen – depending on the particular grade – by about 33 per cent over the last 18 months from DM3.80 a kilo to about DM2.60.

"I believe prices have reached rock-bottom," said Mr Stillwell. "Although we are making money in Europe, break-even point has been passed for most other producers if you include fixed costs. At these prices I do not think the industry can cover reinvestment or spending on the environment."

Reed Elsevier buys French publisher

By Raymond Snoddy

REED ELSEVIER, the international publishing group, has acquired more than 96 per cent of Editions Techniques, the largest general publisher in France, in a deal worth £77m.

In May the company announced an agreement under which it would have at least a controlling interest.

Editions Techniques publishes Juris Classeurs and La Semaine Juridique and the acquisition is part of Reed Elsevier's strategy to extend its professional publishing interests in continental Europe.

Apart from owning a leading medical publication, Encyclopedie Medico Chirurgicale, Editions Techniques holds a controlling interest in Jurisdata, the legal database company, and a 40 per cent stake in Litec, the legal book publishing company.

Mr Herman Bruggink, director of legal and medical publishing worldwide for Reed Elsevier, will become chairman of Editions Techniques from July 2.

Mr Bruggink said yesterday: "We are creating a powerful European base for our legal publishing businesses by acquiring Editions Techniques."

Together with Butterworths, Reed Elsevier's UK legal publisher, further European expansion is planned.

The merged Anglo-Dutch group, owned by Reed International and Elsevier, is also pushing ahead with its planned $425m (£283m) purchase of Official Airline Guides from Price Waterhouse, the joint administrator of Maxwell Communication Corporation.

Results worse than expected after exceptional costs totalling £31m

Hartstone falls £9.9m into loss

By Peggy Hollinger

HARTSTONE, the hosiery and leather goods group which has issued three profits warnings in recent months, yesterday stunned the City with £31m above the line costs, forcing it into pre-tax losses of £9.88m for the year to March 31.

The results, which compared with a profit of £22m last year, were depressed by £11.8m in rationalisation charges and write-downs, and a further £18.7m in exceptional restructuring costs. Before exceptionals there was a pre-tax profit of £8.83m.

The shares fell 3p to 36p.

Analysts said yesterday it was too early to determine the long-term future of Hartstone, built up by former Albert Fisher chief Mr Stephen Barker through a rapid series of acquisitions. The group, which had breached banking covenants, was in refinancing talks with bankers. Gearing stood at 120 per cent and was expected to rise further.

"The figures were a shambles," said one London analyst. "People were expecting a pre-tax profit of almost £8m. To come in at a loss of that figure ... leaves one wondering where it all will stop."

Most analysts said any attempts at forecasts for the current year would be futile until talks with the banks became clearer. Meanwhile, the accounts would be prepared on a going concern basis, which depended on the success of the discussions.

Mr Shaun Dowling, the non-executive director who replaced Mr Barker as executive chairman in May, was harsh on past management. They had purchased businesses "unwisely", he said, while some of the smaller acquisitions had lost "significant amounts of money", leaving large inter-company debts.

The board became aware of difficulties in November, Mr Dowling said, when the group moved from quarterly to monthly accounts. However, trading continued to worsen, and the group issued a profits warning in March. Two months and two further warnings later, it was forecasting profits of not less than £3.7m.

However, it had not become clear until the board meeting on Tuesday night that the group would have to take £18.7m in exceptional charges for further restructuring. Some £8m of this would be paid in fees to renegotiate financial facilities. Closure costs were estimated at £10.8m, with £1.8m in goodwill being written off.

On the trading front, Mr Dowling was cautious, but confident. Hartstone, he said, "has profitable businesses capable of further development." He announced the appointment of a new finance director to improve reporting procedures, Mr Stephen Oakley, formerly of Macarthy, the pharmacies group.

Group trading profits were 10 per cent down at £21.9m on sales ahead 56 per cent to £370.2m. A 67 per cent increase in hosiery profits to £9.47m had not been enough to offset the 34 per cent decline in leather goods to £12.4m.

Hartstone benefited from a £6.7m gain on currency transactions following the devaluation of sterling.

There will not be a final dividend, leaving the 2.8p interim as payment for the year (total 4.875p). Losses per share were 12.4p (earnings 21.1p).

Colin Beere

Shaun Dowling (left) and Stephen Oakley: board became aware of problems in November and three profit warnings were issued

Eastern Electricity at £183m and lifts dividend by 15%

By David Lascelles, Resources Editor

EASTERN Electricity yesterday produced the largest profits increase in the regional electricity results season so far with a 28 per cent rise at the pre-tax level.

It declined, however, to join the dividend race which has seen REC pay-outs soar.

The dividend increase of 15 per cent, bringing the total to 19.2p, was less than the 15.9 per cent set by Seeboard on Tuesday, but still at the upper end of the range.

Mr James Smith, chairman and chief executive, said: "Our operating strength has been reflected in benefits to both shareholders and customers.

"The value of our shareholders' investment has increased, while customers are benefiting through competitive energy prices and continuing improvements in services."

Pre-tax profits at the Ipswich-based company amounted to £183.4m in the year to March 31, up from £143.1m. Turnover was £1.92bn (£1.86bn). Earnings per share jumped 30 per cent, from 38.6p to 50.1p.

The gain came partly as a result of an attack on costs; 1,100 jobs went during the year, and 400 more are due to go this year, contributing to cost savings of £20m a year.

There was also a sharp turnround in the electricity supply business: last year's operating loss of £9.7m was transformed into a profit of £31.4m thanks to a £17m reduction in earlier under-recovery of costs because of regulatory controls.

The electricity distribution business saw operating profit fall from £175.9m in 1992 – when it was boosted by £15m of over-recovery – to £158.4m.

There was a net loss of £1m on retailing activities, and the loss on contracting widened from £2.8m to £4.9m because of a poor market.

A strong cash flow enabled gearing to be reduced from 31 per cent to 17 per cent.

Mr Smith said the dividend increase was "warranted by the profit stream" and was "a statement of confidence in the future". Dividend cover was raised from 2.3 to 2.6 times.

Customers benefited from frozen prices and a £5 energy efficiency rebate in the year.

● **COMMENT**

Eastern used its strong results to improve its low dividend cover rather than set a new pay-out record, which was prudent, if disappointing for shareholders. Analysts will be looking for signs of fresh strategic direction as Mr Smith hands over the chief executive reins to his chosen successor John Devaney, who inherits a heavy agenda of cost-cutting and structural work in loss-making areas like retailing and contracting. Although the market pushed the shares up a few pence on the result, they settled back to close the day unchanged at 472p on a prospective yield of about 5.6 per cent, close to the sector average.

Mercedes contract for Lucas

By John Griffiths

LUCAS Industries, the UK motor components and aerospace group, has won its first ever contract to supply diesel fuel injection systems to Mercedes-Benz, the German luxury car maker.

The contract, described only as of "substantial" value by Lucas executives yesterday, marks a new stage in the UK group's relations with Mercedes.

Lucas has supplied other components to the German concern, but this is the first time it has worked in a long-term partnership with Mercedes jointly to develop new technology.

Engineers from Lucas' Diesel Systems subsidiary have been working with Mercedes counterparts for five years to develop the electronically-controlled system, called EPIC, which is being introduced on Mercedes' advanced, multi-valve OM 604 diesel engine fitted to its new C220 car range.

Analysts estimate that the business initially should be worth about £15m a year to Lucas.

This is based on diesel versions being expected to account for some 20 per cent of the new C class cars' hoped-for 250,000 annual sales, and a likely value of approximately £300 for the Lucas units.

However, analysts also believe that the eventual value of the business should be much larger, as the system is adopted for other Mercedes diesel models and by other manufacturers.

Lucas acknowledged yesterday that it is talking to "several other" car makers about supplies of the new injection system.

Lucas claims currently to have 32 per cent of the existing European market for diesel fuel systems.

It said the new system is the first to be designed specifically for electronic control.

Share options for new chief of Pilkington

By Maggie Urry

PILKINGTON, the glass company, gave Mr Roger Leverton, its new chief executive, options to buy 1.08m shares at 107p under the senior executives share option scheme.

Mr Leverton joined the group on July 1 last year when the share price was 123p. Yesterday the shares closed up 5½p at 127½p. He cannot exercise the options for three years from the date of grant.

The accounts also show that Sir Antony Pilkington, executive chairman, received £347,318 in 1992-93, up from £335,278. Mr Leverton received between £230,000 and £235,000 for the nine months from his appointment.

Directors' salaries are set in April each year, and this year no increases were awarded, compared to a 4 per cent rise in 1992 and 7 per cent in 1991. The directors have not received any performance bonuses for those three years either.

A pension payment of £215,000 was made to Mr Derek Cook, who retired last year, relating to his 8 year stint in India in the 1970s.

Pay boost for Thorn chairman

Sir Colin Southgate, chairman of Thorn EMI, saw his pay increase from £419,749 to £702,759 last year, according to the music and rental group's latest annual report.

The package was made up of basic salary of £460,000, up from £407,500, approximately £12,759 (£12,249) of benefits in kind and £230,000 this *time of performance related* bonus.

Thorn EMI has now changed its performance related scheme to include a larger element of shares, rather than cash, and to make it more closely tied to long term continued improvement, the company said.

NW Water head gets 35% rise

North West Water, the privatised UK utility, awarded Mr Bob Thian, chief executive, a 35 per cent increase in pay *and bonuses last year. Pre-tax* profits increased 7 per cent during the period.

Mr Thian received total remuneration, including performance pay and pensions contributions, of £284,000. Mr Dennis Grove, the outgoing chairman, saw his total package increase 44 per cent to £267,000.

Mr Steve McAdam, who resigned from his position as finance director, received compensation for loss of office of £90,000. North West also bought a property from him for £240,000. The company said the price had been certified by an independent chartered surveyor.

Price Waterhouse, the *accountancy firm, received* non-audit fees from North West of £9.3m during the year. The fees covered due diligence work on acquisitions and general consultancy work.

Abdullah brothers resign Starmin executive positions

By Angus Foster

THE ABDULLAH brothers, who built up the Evered aggregates company through acquisitions in the 1980s, yesterday resigned their executive positions at Starmin, the quarry products company where they bought control in 1989.

Starmin also announced it had delayed publishing its accounts for last year because the board was reviewing its accounting policies. As a result, the previously recommended final dividend of 0.2p would not now be paid.

The company's shares fell 2p to 2¾p.

Mr Osman Abdullah resigned as chief executive and has been replaced, on an acting basis, by Mr Owen Rout, former chairman. Lord Parkinson, the former Tory cabinet minister who joined the company in April last year, has been appointed chairman immediately. Mr Raschid Abdullah will remain on the board as a non-executive director.

Mr Rout refused to comment on the details of the review before it was completed. But he said it covered technical matters. "There is no indication there is anything of a fraudulent, malpractise nature involved," he said.

The review is understood to have been prompted by concern among some directors and Samuel Montague, the company's financial advisers, about Starmin's acquisition accounting policy.

In a statement yesterday, the company said its review would cover "the disclosure and accounting treatment of various acquisitions and disposals" made in 1991 and 1992. Previously announced results for these years, which showed a £1.9m pre-tax profit in 1991 and a loss of £8.1m last year, may have to be restated.

The Abdullahs bought into Starmin, then called SI Group, in 1989 following their departure from Evered, now called Evered Bardon. The brothers launched a string of acquisitions, including eight in 1991, largely financed by three rights issues within two years.

But despite an initial rally, Starmin's shares performed poorly and were overshadowed by concern about the company's acquisition strategy and mounting worries about recession in the construction industry.

AAH extends over-the-counter operations

AAH Holdings, the acquisitive pharmaceuticals distribution group, has extended its over-the-counter operations with the acquisition of M&S Toiletries and the connected Beauty Concessions – collectively MSBC – for an initial £15.6m *in shares, cash and loan* notes.

MSBC is a wholesale and retail distributor of toiletries, cosmetics and other pharmacy OTC products.

Edinburgh-based, it has "a strong position in the Scottish market and has been building market share in the north of England", said AAH.

In the year to June 30 1992, MSBC's sales (adjusted for inter-company transactions) were £25m and are forecast to be not less than £29m in the current year.

Pre-tax profits in 1992 were £900,000 and, on a pro forma basis, are warranted to be at least £2.1m for the 12 months to completion.

Of the initial £15.6m, the 2.39m shares to be issued to the vendors will be retained for at least six months.

Further consideration of no more than £1m in loan notes will depend on the valuation of assets at completion.

Net assets at June 30 1993 were not less than £4m.

Scholl paying £14.5m for French healthcare brand

By Paul Taylor

SCHOLL, the UK-based personal healthcare products group, is paying FFr125m (£14.5m) cash to acquire the Septivon antiseptic wash brand from Elf Sanofi, the French pharmaceutical group.

The purchase of Septivon fits Scholl's strategy of acquiring niche personal health care brands with strong market positions which play to Scholl's distribution strengths *in the western European and* Pacific basin markets.

Scholl, which reported pre-tax profits of £16.1m on turnover of £151.3m last year, has been pursuing growth through brand development, acquisition and the licensing and distribution of other leading brands.

Last year the group acquired the Scholl retail operations in Canada from Schering Plough and Gerard House, the UK-based herbal medicines business.

Septivon was introduced in 1972 and is one of France's leading antiseptic washes with a 17 per cent market share and sales last year of FFr60.8m of which FFr51.7m were in France and the remainder in Switzerland and a number of former French territories. In France one third of sales *were by prescription with* the remainder over-the-counter.

The healthcare group believes there is scope to enhance the marketing and growth of the Septivon brand in France and to expand its penetration in other markets through Scholl's international distribution network.

Heron wins second creditor vote

Heron, the trading and property group led by Mr Gerald Ronson, won yesterday the second of three creditor votes on its £1.4bn debt restructuring.

The directors said that of those creditors voting at the Hague meeting, 87 per cent by value and 78 per cent by number accepted the resolutions relating to Heron International Finance.

They added that the final meeting will be held in the *Netherlands Antilles on Monday* July 5.

The restructuring cleared its main hurdle in London on Monday by votes of more than 80 per cent by value and 75 per cent by number.

The minimum required was 75 per cent and 50 per cent respectively.

Devro shares give 13.5% premium on first day

By James Buxton

SHARES in Devro International, which makes sausage casings from the protein collagen, closed at a 13.5 per cent premium on its first day of trading on the Stock Exchange yesterday. The shares, priced at 170p, went to an early high of 198p before closing at 193p.

The public offer for shares in the company, a former subsidiary of Johnson and Johnson which had been bought out by its management, was subscribed 4.6 times and involved 28m shares. A further 52m shares were placed firm with institutions.

Some 15m shares were traded yesterday as small investors sold their allocations which had mostly been sharply scaled down, and institutions acquired more shares.

Devro said it was pleased with the premium the shares achieved

Clyde Blowers rights to fund acquisition

Clyde Blowers, the specialist engineer, is calling for £3.6m partly to finance the acquisition of Boiler Products Engineering, based near Brussels, Belgium, from Stein Industrie (France), a wholly owned subsidiary of GEC Alsthom.

The total consideration, including payment of debt to its parent company, is about £3m cash.

BPE designs, distributes and services boiler cleaning equipment. It made pre-tax profits of BFr15.8m (£306,000) on turnover of BFr229m in the 12 months to March 31 1993.

At that date it had net assets of BFr37.8m.

The rights issue of 800,000 new ordinary shares is on the basis of 4-for-5 at 500p each. Yesterday the shares closed 37p down at 633p.

The issue is fully underwritten by Allied Provincial Securities.

In addition to funding the acquisition, proceeds from the rights will be used to reduce short-term borrowings and to provide future working capital.

Clyde Blowers also forecast profits of not less than £182,000 pre-tax for the year to August 31 and a final dividend of 8p.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Cassidy Bros §	fin	1.65	Aug 27	1.65	2.4	2.4
Eastern Elect	fin	13.7	Oct 4	11.85	19.2	16.7
GEC	fin	7.62	Oct 1	7.05	10.3	9.6
Hartstone	fin	nil	-	3	2.8	4.875
Ratners	fin	nil	-	nil	nil	2.4
Silvermines	fin	nil	-	1½	1	2
TR High Income	int	1.4‡	July 30	1.4	-	6
Wilshaw	fin	0.35	Oct 1	0.3	0.5	0.4

Dividends shown pence per share net except where otherwise stated. §USM stock. ‡Irish pence. ‡Second interim; makes 2.8p to date.

NEWS DIGEST

Losses halved at Seafield

HALVED pre-tax losses of £11.1m, compared with £22.4m, were announced by Seafield, the Dublin-based transport, warehousing and property group, for 1992.

The loss was mainly attributable to a write-down in property values of £6.6m and £1.9m of realised losses on the sale of properties. Exceptional losses last time amounted to £19.5m.

Mr Brian Chilver, chairman, said the property division had been slimmed down and over *the past three months* the group had been involved in negotiations for a restructuring.

Turnover improved to £45.2m (£22.8m). Interest charges fell to £4.96m (£5.39m) as property disposals allowed the group to repay £17.8m of borrowings.

Losses per share were cut to 15.4p (31.9p).

Ferromet

In 1992 Ferromet Group reduced its losses before tax from £12.9m to £1.14m. And extraordinary credits of £8.99m turned that into an overall *profit of £7.84m.*

Turnover came to £1.88m.

The loss arises from administration expenses, *a substantial* part of which related to restructuring.

Losses per share were 0.56p (6.27p).

Cassidy Brothers

Cassidy Brothers, the Blackpool-based toymaker, saw pre-tax profits drop from £695,521 to £457,217 over the 12 months to April 30.

Mr Thomas Cassidy, chairman of this USM-traded group, said the decline – recorded on turnover ahead to £6.26m – was attributable to many of the group's customers de-stocking in the pre-Christmas season in the face of recession.

Earnings emerged at 6.11p (9.07p) but the recommended *final dividend is held at 1.65p* for a maintained total of 2.4p.

Sheafbank Property

Sheafbank Property Trust is to defer payment of the half yearly dividends, due today, on both its 6 per cent cumulative convertible preference shares and its 5.25 per cent cumulative *preference* shares.

Anglo St James

Anglo St James, the commercial property developer, cut pre-tax losses to £943,000 in 1992, against £2.72m for the *previous 18 months.*

Mr Jeffrey Green, chairman, said that virtually all group *properties were now income* producing.

Rental income totalled *£934,000 (£792,000 for 18* months). Losses were struck after exceptional charges of £504,000 (£1.63m). Losses per share were 5.8p (23.1p).

Dwyer

There was little change in half year results at Dwyer, the Irish-based commercial property investor, as losses on sales masked a substantial improvement in underlying performance.

In the six months to March 31 net rents fell to £2.33m (£2.59m) and *that was exacerbated* by losses on disposals of £537,000. However, there were *substantial* reductions in administration costs and interest payable to leave the pre-tax loss at £729,000 (£731,000).

Losses per share came to 2.84p (2.85p).

Havelock Europa

Havelock Europa, the shopfitting company, reported that the High Court had confirmed the special resolution of the company passed on June 2 to reduce the share premium account by £2.93m.

Havelock said the reduction would enable it to resume dividend payments when appropri*ate to do so.*

● The High Court also approved a reduction of Cus*sins Property's* share premium account by £2.18m.

Mount Charlotte

Mount Charlotte Investments, the hotels group, raised net profit from £1.5m to £2.1m in the year to December 27, after a tax credit of £1.1m. Turnover dipped from £226.1m to £217.3m.

Mount Charlotte is 70 per cent owned by Brierley Investments.

GE Cap/TIP Europe

General Electric Capital Corporation said that its recom*mended* offer for *TIP Europe*, the transportation equipment rental and leasing company, had been accepted in respect of 159m shares, representing 94.51 per cent of TIP Europe's share capital.

The offer remains open until 3pm on July 14.

RIT Capital

Newmont Mining has filed a registration statement with the US Securities and Exchange Commission in connection with the proposed sale of shares in Newmont by General Oriental Investments and RIT *Capital Partners.*

RIT Capital proposes to sell 1.16m shares in Newmont and retain the balance of its holding of 1m shares as part of its investment portfolio.

Financial Times Annual Report Service

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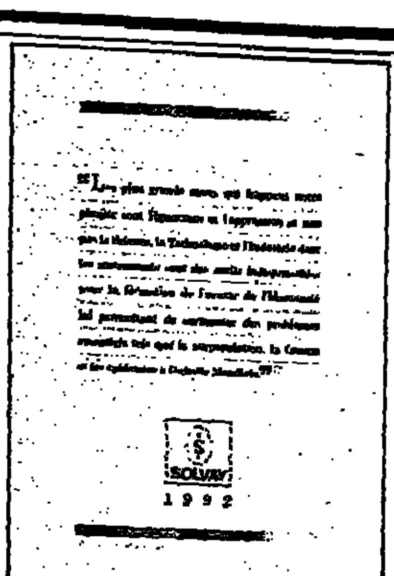

The Solvay Group

A passion for progress

The Solvay Group is a leading chemical and pharmaceutical company with sales of USD 8 billion worldwide.
The strategy followed by the company is to develop specialty products, with high value-added, high margin and high research content in each of its five sectors - Alkalis, Peroxygens, Plastics, Processing and Health - while also opening new geographical markets for its products, mainly in the USA, Asia and Central Europe.

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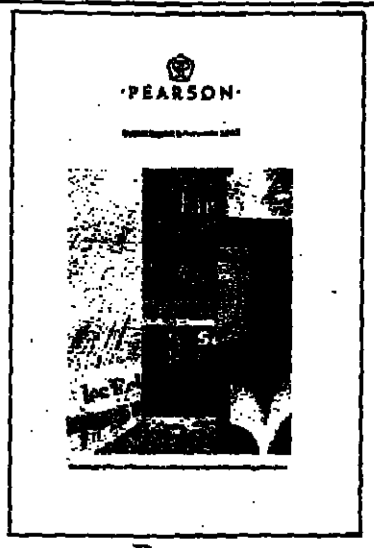

Pearson

Pearson publishes newspapers, magazines and books, owns and runs day-time family entertainment attractions, provides oil services around the world, has substantial investment banking interests and is the largest manufacturer and distributor of fine bone china. Pearson owns most of its businesses outright, but also makes investments in complementary businesses. Pearson concentrates on business sectors where its emphasis on quality is a competitive advantage, where it can market its products internationally, and where it can attract and motivate talented people.

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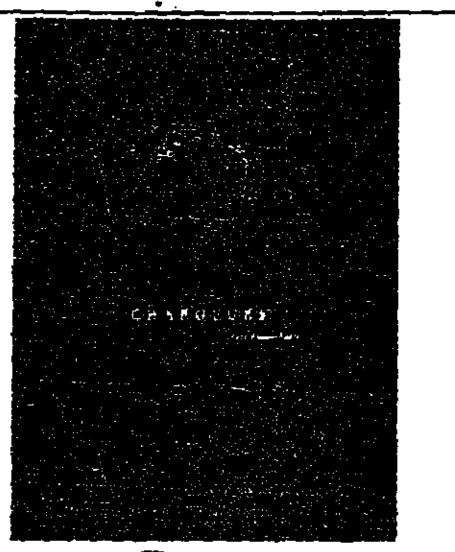

Chargeurs

Chargeurs is a diversified industrial group which operates in textiles (Prouvost, Hart, Otegui ...) and entertainment (BSkyB, Allied Filmmakers, Guild, Pathé). It also operates in automobile transportation (Walon), leisure cruises (Paquet) and protective surfacing (Novacel). The group is one of France's leading international companies, with 10,500 employees worldwide.

Financial Highlights 1992 (FF millions)

Net sales	*10,080*
Net income	724
Capital expenditure	750
Net equity per outstanding share (FF)	1,119

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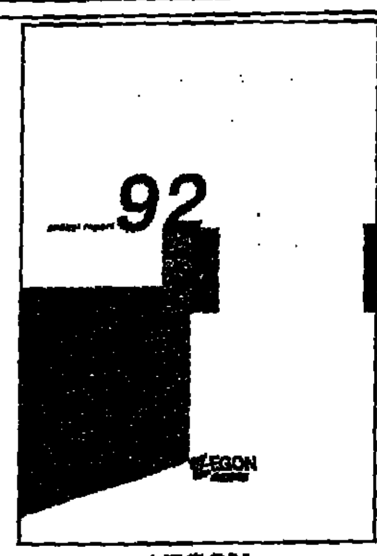

AEGON

AEGON is a leading international insurance group, offering primarily a full range of life insurance and associated financial services. AEGON is also active in accident & health and general insurance. AEGON's most important markets are The Netherlands and America. The European companies are based in Belgium, Spain, Portugal, Hungary, and the United Kingdom. 1992 revenues increased by 12.3% to NLG 15,321 million. Operating income after taxes grew 10.1% to NLG 784.7 million. Taking into account the stock dividend, operating income per share rose by 2.1% from NLG 7.74 to NLG 7.90.
The AEGON share was split 2:1 in 1992.

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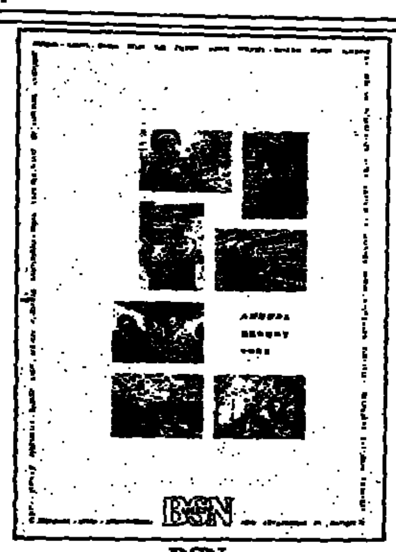

BSN

BSN is the largest diversified food group in France, Italy, Spain and Belgium. It ranks third in Europe as a whole and ninth worldwide. It is the world's largest producer of dairy products, and second largest producer of mineral water and biscuits. In Europe it ranks first in dairy products, mineral water, biscuits, sauces and condiments, and second in pasta, beer and glass containers.

1992 Key Figures	*(FF million)*	*Average annual growth 1987 - 1992*
Consolidated sales	70,840	+13.8
Net income	3,638	+18.6%
Cash flow	7,399	+17.0%

70

Crédit Lyonnais

Crédit Lyonnais, with a history dating back to 1863, became the largest non-Japanese bank in 1992 in terms of total assets, which exceed FRF 1.9 trillion (USD 345 billion), reflecting customer confidence.
More than just a multinational bank present in 80 countries, Crédit Lyonnais has rounded out its unique network of 3,500 offices in Europe, including 900 outside France, with the acquisition of BfG Bank in Germany.
As a universal banking Group, Crédit Lyonnais operates in all the banking lines of business, providing individual, institutional and corporate customers worldwide with a comprehensive range of products and services suited to their needs.

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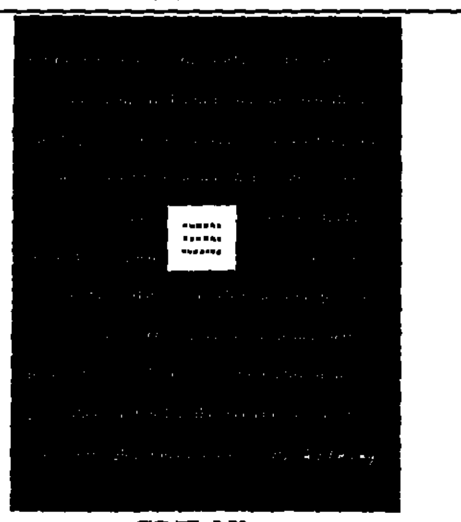


CS Holding

CS Holding is one of the world's leading financial services groups. By building on our strengths we are shaping an institution capable of handling any major financial transaction. Worldwide, we focus on wholesale and investment banking, private banking and asset management, while in Switzerland we also have a strong position in retail banking. Our businesses are managed independently under their own well-established names, giving them the freedom they need to compete effectively in the global marketplace.
This advertisement has been approved by Credit Suisse, a member of IMRO, SFA and the London Stock Exchange.

72

Credit Suisse

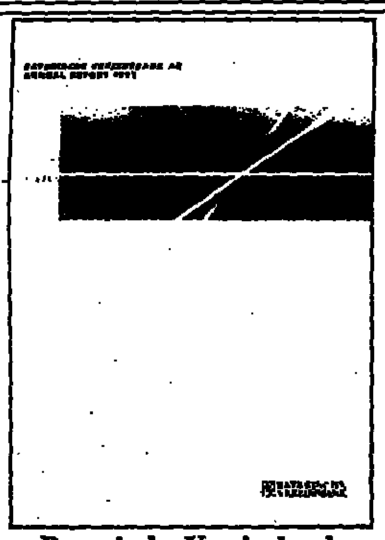
Credit Suisse is a subsidiary of CS Holding. As a major full-service bank based in Switzerland, Credit Suisse is one of the leading providers of financial services at both national and international level. With over 80 bases around the world, Credit Suisse is represented in all the main financial centres, industrialised nations and markets with strong growth potential.
At the end of 1992 Credit Suisse's balance sheet total stood at Sfr 173 billion (1991: Sfr 156 billion). The annual profit for 1992 amounted to Sfr 857 million (1991: Sfr 848 million).
Credit Suisse is a member of IMRO, the SFA and the London Stock Exchange.

73

TELUS Corporation

TELUS Corporation is a leading Canadian telecommunications and information management services company. Through its subsidiaries, TELUS strategically manages assets of $3 billion.
TELUS investments include CUC Cablevision (UK) Limited, which provides joint cable TV-telephone service to several areas northwest of London. In Canada, AGT is the largest member of the TELUS group, providing voice, video and data telecommunications services to the province of Alberta. Another subsidiary, AGT Mobility supplies wireless mobile communications, including cellular, paging and radio systems.

74



Bayerische Vereinsbank

For the third time in a row, Bayerische Vereinsbank showed strong earnings growth. In 1992, partial operating profit rose by 25.6%, total operating profit even by 35.6%, enabling the bank to provide for all perceivable risks. The Bank's return on equity has further increased to a considerable extent. DM 252 million were distributed to shareholders with a dividend of DM 13 per share. Vereinsbank-Group with total assets of DM 252 bn is among Germany's five largest private banks and one of the biggest mortgage banking groups in Europe. The group has branches all over Germany and is represented in the major financial and economic centres in Europe, as well as in the US, Japan, Hong Kong, South Africa and the Middle East.

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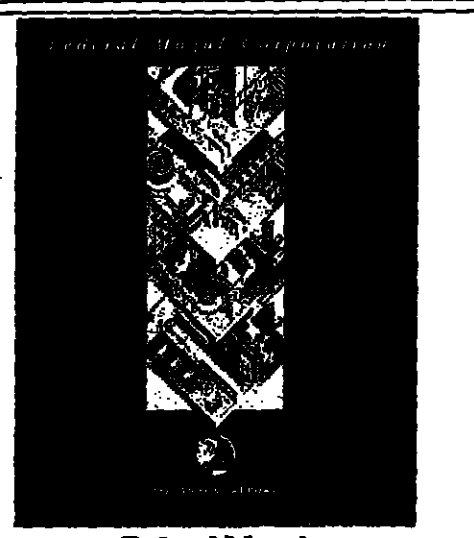

Federal Mogul

Through a network of more than 70 warehouses around the world, Federal Mogul's unique distribution system offers local availability of slow-moving, non-discretionary parts and a vast array of part numbers. The mix of its manufacturing and distribution capabilities give the $1.3 billion company a competitive edge in serving both the aftermarket and the original equipment market. Federal Mogul shares are traded on the New York and Pacific stock exchanges.

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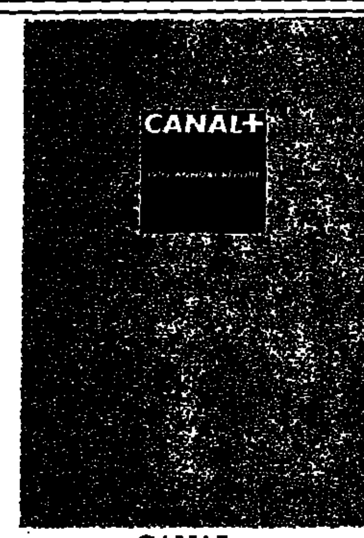

CANAL+

Created in 1984 to operate a pay-television service in France, *CANAL+* has become one of the world's top media companies in less than ten years. It is currently France's leading television channel in terms of both revenue and profitability. In 1992, the company's revenues rose to FRF 7.9 billion, while net income after minority interests reached FRF 1.1 billion.
CANAL+ has also successfully exported its concept to key foreign markets and, in terms of revenues, now rivals the U.S.-based network HBO, long the uncontested leader in pay television.

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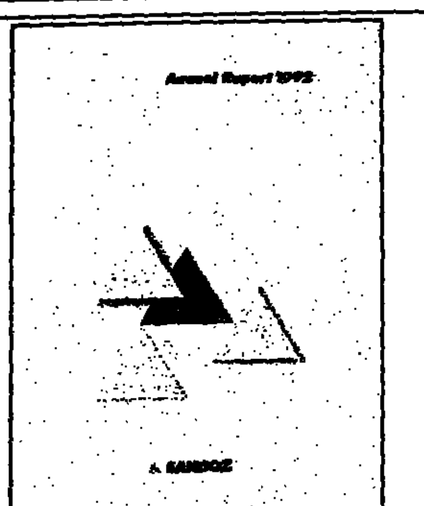
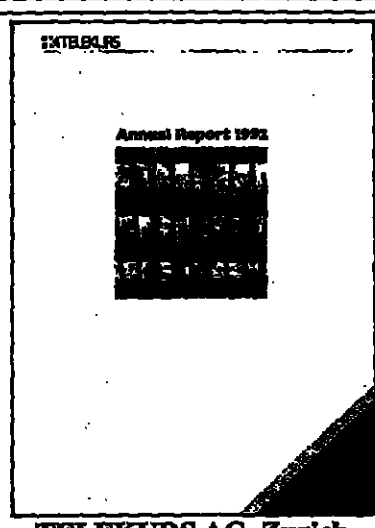


Sandoz

Sandoz is a global group of companies with corporate headquarters in Switzerland. The business sector Life Sciences (Pharmaceuticals, Seeds, Nutrition) accounts for two thirds of sales; Chemicals + Environment (Chemicals, Agro, Construction + Environment) for one third.
Sandoz Pharma, one of the world's largest pharmaceutical companies, is a leader in immunology and endocrinology.
Sandoz consolidated sales in 1992 were up 8% to Sfr. 14.416 billion. Net income increased by 34% to Sfr. 1.495 billion, due in equal parts to improvements in operational performance and to the first-time application of International Accounting Standards (IAS).

78



TELEKURS AG, Zurich

TELEKURS, based in Zurich, Switzerland, and with subsidiaries in all major financial centres of the world, offers a broad and varied spectrum of services for financial information distribution at the leading edge of technology.
TELEKURS have at their disposal the world's most comprehensive securities database. With its services there is almost instant access to all relevant financial data from anywhere in the world.
TELEKURS expanded its business 1992; turnover: Sfr. 404 million, cash flow Sfr. 57.5 million.

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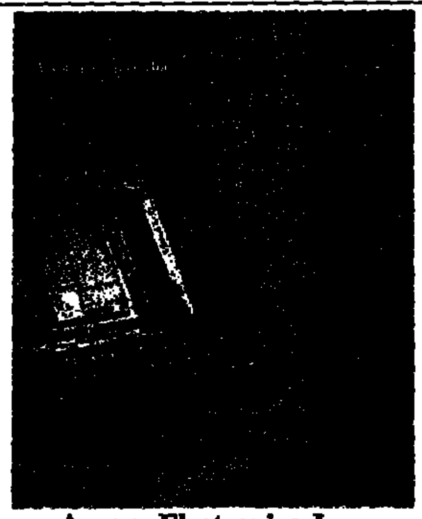
Euroc Group

The Swedish-based Euroc Group manufactures mineral-based building materials and distributes building materials in general. Euroc is organised into six business areas today: Cement International, Cement Sweden, Concrete and Aggregates, Masonry Products, Plasterboard and Building Materials Distribution. Countries in the North Sea and Baltic Sea regions are important growth markets for the Group. In 1992, Euroc's earnings after net financial items and minority shares declined from SEK 151 million to SEK 129 million, primarily due to substantial decline in the construction market. Net financial expense was reduced considerably and the Group had a positive cash flow. Despite the continuing weak market, Euroc expects to remain in profit and have a positive cash flow in 1993.

80



Aurora Electronics, Inc.

Aurora Electronics, Inc. (AMEX: AUR) is the world leader in the emerging market for environmentally-sound and secure recycling and recovery of integrated circuits for the electronics industry. The Company reconditions and markets both recycled and non-conforming integrated circuits to over 1,500 customers worldwide. Aurora's goal is to build a world-class company that provides manufacturing and materials-related services to the electronic industry. Facilities are in California and Scotland.

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74 ☐ Bayerische Vereinsbank
75 ☐ Federal Mogul
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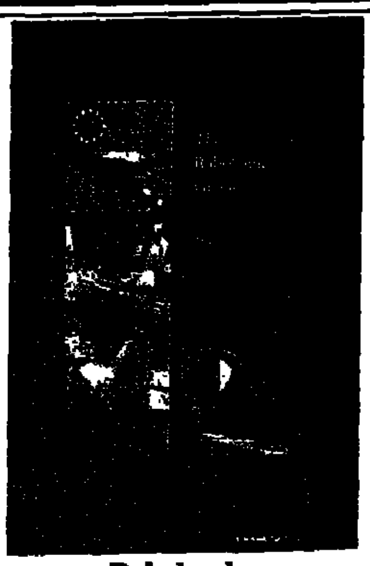
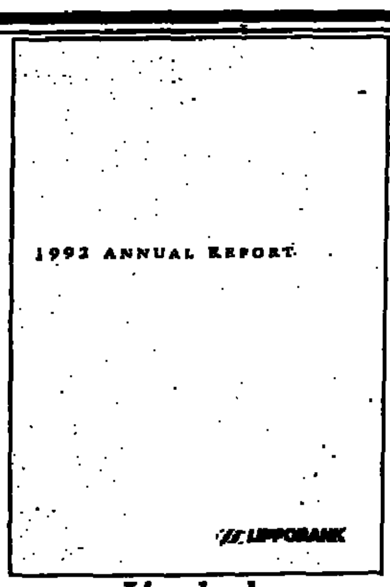


Rabobank

With total assets of over $128 billion the Dutch Rabobank Group ranks among *the top 40 banks in the world. In most domestic market sectors*, it is the nation's primary bank with the largest market shares. Internationally the Rabobank Group runs some 50 offices in the USA, Latin America, Asia, Australia and Europe. In addition to its own offices in Europe, the bank has also opted to expand its services in a number of European states through a series of strategic alliances with other banks. International operations' share in corporate lending grew to 20% in 1992. The Rabobank has a global specialisation in food and agribusiness and agri trade finance.

82



Lippobank

Lippobank, established in 1948, is one of Indonesia's leading commercial banks. Among publicly-listed banks it has the largest network of all, with more than 200 branches strategically positioned throughout the country.
As part of the Lippo Group of companies, it has subsidiaries and financial services affiliates in Hong Kong, Singapore, Taiwan, Thailand, Australia and California - and either directly or via the Lippo Group, joint venture *relationships in Indonesia with eminent* banking names *such* as Tokai Bank, Daiwa Bank, Long Term Credit Bank of Japan, Banque Nationale de Paris and Bankers Trust. The shares of Lippobank, legally known as PT Lippo Bank, are actively traded on the Jakarta Stock Exchange.

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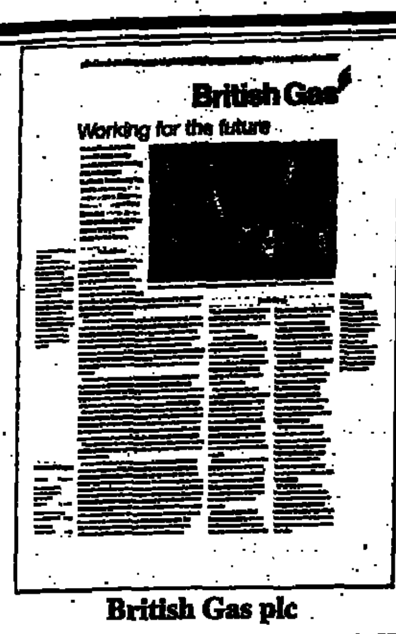
The Wharf (Holdings) Limited

The Wharf (Holdings) Limited is an asset-growth driven conglomerate, focused on strategic long-term investments in property and infrastructure in Hong Kong. For 1992, turnover exceeded £365 million and group profit was over £170 million. The Group's investment portfolio stands at 7.8 million ft² and will reach 12.3 million ft² by 1998. Wharf is also involved in terminals, transport, hotels and select investments in China. The group was recently awarded Hong Kong's only cable television franchise.

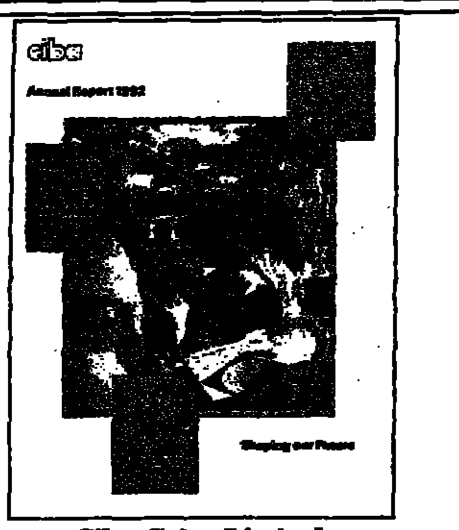
84



British Gas plc

British Gas is an international energy company based in the UK. In 1992 its turnover was £10 billion and operating profit 1.4 billion. It has three business *streams, its primary activity* as a UK gas utility, oil and gas exploration and production, and global downstream gas operations. International activities are wide-ranging with E&P or downstream gas business interests in currently 45 countries. British Gas is one of the few major companies involved in all aspects of the gas chain - E&P, transmission, storage, liquefied natural gas (LNG), distribution, gas trading, power generation and natural gas vehicles.

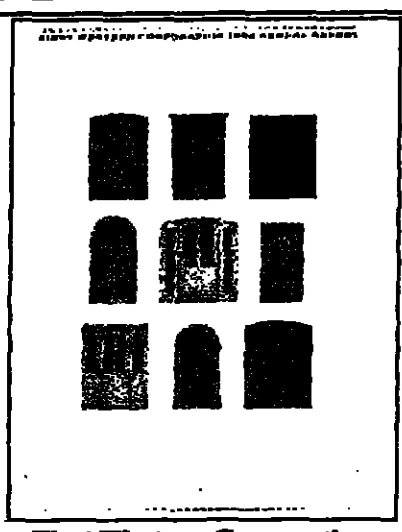
85



Ciba-Geigy Limited

Worldwide turnover was up 6% in local currencies, exceeding SFr. 22,000 million. Profits increased by 19% to SFr 1,520 million. Leadership positions in our key healthcare, agriculture and industrial markets strengthened. Active portfolio management continued with a concentration on biological businesses, and further streamlining of our industrial businesses. Outlook: We expect *further structural improvements in our performance despite difficult external* conditions.

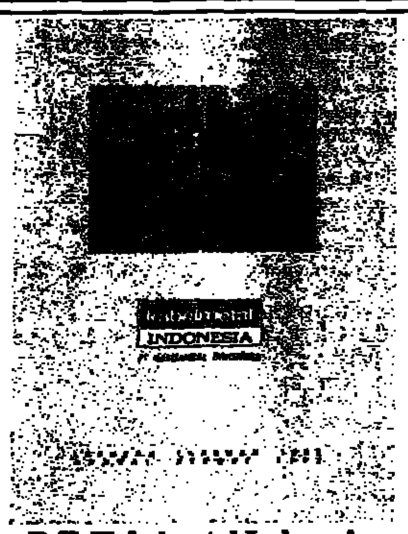
86



First Western Corporation

First Western Corporation (NASDAQ:FWCO) engages in the mortgage banking business through its wholly-owned subsidiary, Express America Mortgage Corporation *(formerly Wesav Mortgage Corp.). During the year ended* September 30, 1992 and the six months ended March 31, 1993, First Western originated loans of $702 million and $1.5 billion respectively. The Company services mortgage loans as well as purchases and sells the rights to service loans. At March 31, 1993, First Western serviced a $4 billion loan portfolio.

87



P. T. Kabelmetal Indonesia

Founded in 1972, PT Kabelmetal Indonesia is a leading player in the Indonesian electric and telecommunications cable industry, one of the fastest growing and most crucial sectors of Indonesia's fast growing economy. Since 1986, the Gajah Tunggal Group has provided the vision, management and financial support that enabled the Company to go public in June, 1992. Kabelmetal is one of a limited number of qualified suppliers to both the national electricity utility (PLN) and the telecommunications utility (PT Telcom). Its products also meet such international standards as DIN, IEC and VDE, enabling it to export to world markets. Kabelmetal is currently involved in the second phase of an expansion program designed to make it the most cost competitive cable producer in Indonesia.

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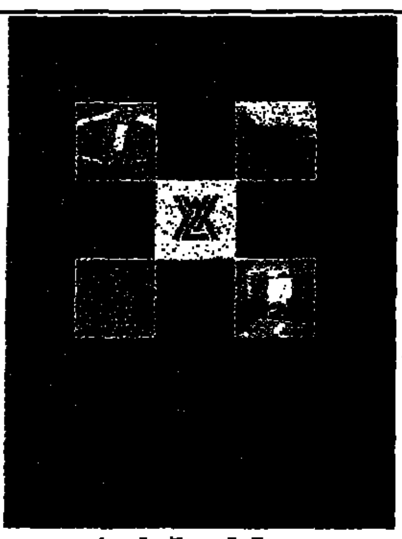
Bank International Indonesia

Today, Indonesia is in a very enviable position. It has a stable government, and abundant natural resources such as oil, gold, timber, coal, etc. Modernisation and development is taking place at a rapid rate. Deregulation measures opened up *the economy* to foreign investment in a big way.
Bank International Indonesia is one of the largest privately owned banks nationwide. With controlled growth and a record of profitability, BII has grown to be a highly respected institution in both the commercial and private sectors.

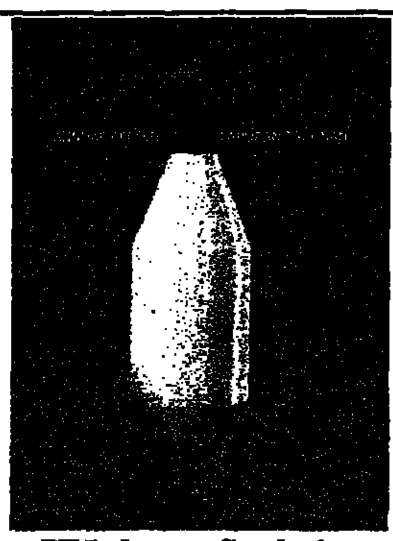
89



Ayala Land, Inc.

Ayala Land, Inc., the leading property developer in the Philippines, was publicly listed in 1991. It is primarily engaged in the development and sale of large-scale, multi-use and integrated communities, which began with the transformation of Makati, a Metro Manila suburb, from hectares of raw land into the Philippines' premier financial and business district. Its product lines consist of residential, office and industrial land; mixed-use shopping centres; high-rise buildings and townhouses; hotels; and even mass housing projects. The company's net asset value as of 31 January 1992 was placed at P51 billion or US$ 2.3 billion. Its total market capitalisation of about P51 billion or US$ 1.9 billion makes it the largest listed Philippine property stock.

90



PT Indorama Synthetics

PT Indorama Synthetics is the largest producer of textile raw materials in Indonesia. Established in 1974, the company presently has two divisions - Spinning division manufacturing wide range of Spun Yarns with capacity of 21,000 tpa and Polymer division manufacturing 60,000 tpa of Polyester Filament Yarns, Polyester Fibre and Chips. The company is also the largest exporter of blended yarns from Indonesia since 1986. The sales for 1992 were US$ 117 million and net profit US$ 21.7 million. The total assets at the end of 1992 stood at US$ 300 million. The company, with market capitalisation of US$ 365 million, is listed on the Jakarta Stock Exchange.

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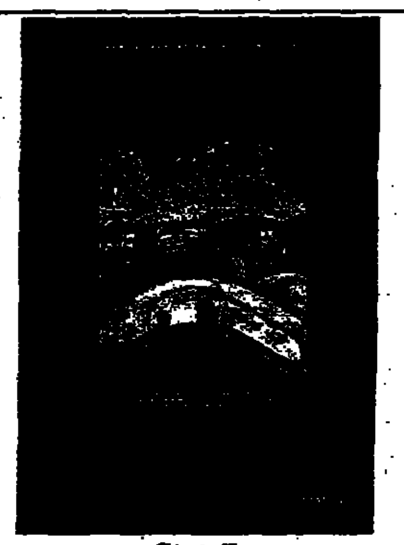
PT Inti Indorayon Utama

PT Inti Indorayon Utama commenced operations as a market pulp producer in early 1989. Today, it is Indonesia's biggest and one of Asia's largest producers of market pulp. It is also one of the lowest cost pulp producers in the world. The company in furtherance of its advantageous position has just completed the expansion of its pulp capacity and a rayon fibre plant. The future earnings will be substantially enhanced once these additions come onstream. For the year under review, operating profit was Rp 43,839 billion and net income was 92,536 billion, an increase of 6.5% and 32.4% respectively over previous year.

92



Statoil

Statoil is an integrated Norwegian oil company and ranks as the leading operator on Norway's continental shelf. Operations are also pursued in 18 other countries.
The group reported a profit before taxation of NOK 11 billion in 1992, as against NOK 12,8 billion the year before. This reduction was primarily due to lower prices in all business areas, but increased oil production partly offset the market downturn.
Statoil is organised in four business areas - Exploration & Production, Natural Gas, Refining & Marketing and Petrochemicals & Plastics. It had just over 14,000 employees at the end of last year.

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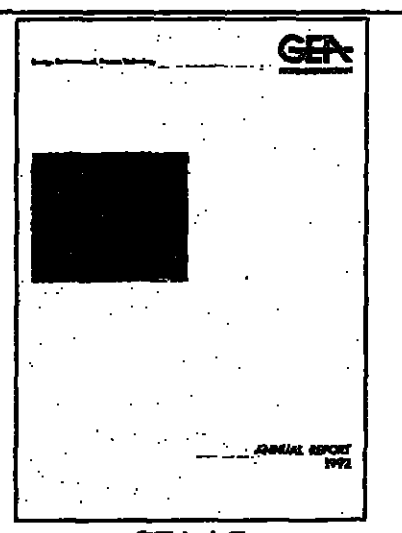
VICORP Restaurants, Inc.

VICORP Restaurants, Inc. (NASDAQ: VRES), headquartered in Denver, Colorado, operates or franchises 408 mid-scale restaurants in 25 states with major concentrations in Arizona, California, Florida, the Rocky Mountain region and the upper Midwest. The Company operates its restaurants under the names Bakers Square and Village Inn and franchises restaurants under the Village Inn name. The Company also operates VICOM, a bakery production and food distribution division, as a support facility for its restaurant divisions. VICOM produces fresh quality pies for the restaurants' use and selective outside sale. Revenues for 1992 totalled $418.1 million.

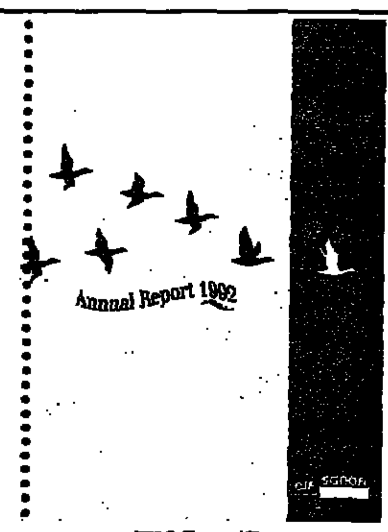
94



GEA AG

The GEA Group reports a successful financial year for 1992. The level of orders received at DM 2.152 bn exceeded the previous year's level (DM 1.780 bn) by 21%. Sales grew up by 28% from DM 1.682 bn to DM 2.159 bn. Cash flow increased and operating result is equally good as in the previous year. The Dutch Grasso Group was successfully turned round in the first year after its acquisition. The takeover of companies in Hungary and in the Czech Republic represented a successful step forward into the East European markets. Through the recent acquisition of the Danish NIRO Group in February, GEA is able to continue its healthy growth during the recession in 1993. Sales and orders received are each planned to total DM 2.7 bn.

95

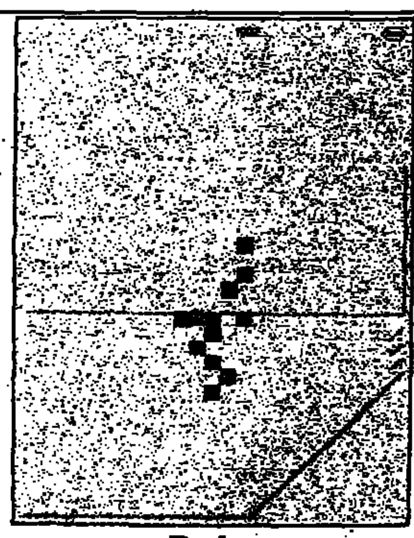


Elf Sanofi

- Serving the cause of life through three synergistic business segments:
  - Human Healthcare (ethical pharmaceuticals, consumer health (OTC) products, Diagnostics)
  - Bio-Activities (Bio-Industries, Agri-veterinary products, Rendering)
  - Perfumes and Beauty Products
- A transnational company *with a staff of 40,000 in more than 100 countries* around the world.
- Global market presence amounting to nearly 43.5 billion French francs.

Chairman and Chief Executive Officer: Jean-François Dehecq

96



Roche

Roche is a Swiss-based international health care group employing over 56,000 people worldwide. It is a research-driven company with *a leading position* in biotechnology and activities covering the entire health spectrum of prevention, diagnosis and treatment of disease.
In addition to pharmaceuticals Roche is also engaged in the field of vitamins and *fine chemicals, diagnostics, fragrances and flavours.* In 1992 Roche Group consolidated sales rose 13% to reach Sfr. 12,953 million (US $9,186 million) Consolidated net income grew 29% to Sfr. 1,916 million (US $1,359 million). Group research and development expenditure amounted to Sfr. 1,998 million (US $1,417 million) which corresponds to 15% of group sales.

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- 85 ☐ Ciba-Geigy Limited
- 86 ☐ First Western Corporation
- 87 ☐ P.T. Kabelmetal Indonesia
- 88 ☐ Bank International Indonesia
- 89 ☐ Ayala Land, Inc.
- 90 ☐ PT Indorama Synthetics
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COMPANY NEWS: UK

Speedy return on RTZ's move into US coal

By Kenneth Gooding, Mining Correspondent

RTZ CORPORATION, the world's biggest mining group, has already sold the three gold and silver mines it acquired in February when it made a $470m (£313m) move into the US coal business with the acquisition of Nerco, the floundering natural resources company owned by PacifiCorp.

Ironically, the recent rise in the gold price started by the high-profile activities of Mr George Soros and Sir James Goldsmith helped to speed RTZ's disposals, which will bring in at least $40m.

Also Nerco had decided to dispose of its precious metals mines before being acquired by RTZ. In 1992 Nerco recorded pre-tax provisions of $310.2m to write down the assets to estimated net realisable value and to provide for disposal costs and estimated operating losses to the date of disposal.

Minorco, the Luxembourg-quoted overseas investment arm of the Anglo American Corporation of South Africa, is paying $21m cash for Nerco's Pikes Peak Mining Company, which owns 80 per cent of the Cripple Creek mine in Colorado. This mine last year produced 42,000 troy ounces of gold and 12,000 ounces of silver and has 1.4m ounces of gold in its reserves.

Kinross Gold, a US company formed from the merger of Plexus Resources, CMP Resources and 1021105 Ontario Corporation, is paying $16.8m cash for Nerco's DeLamar gold-silver mine in south-west Idaho and the Candelaria silver mine in western Nevada.

DeLamar produced 38,000 ounces of gold and 1.82m ounces of silver last year. Reserves include 787,000 ounces of gold and 17.5m ounces of silver.

Mining operations at Candelaria were suspended in November 1990 because its reserves were almost exhausted, but ore processing continued and the mine produced 2,000 ounces of gold and 1m ounces of silver last year.

The sale to Kinross also includes the American Mine gold prospect in California and the Dunka Road base metal mine in northern Minnesota.

Nerco has also agreed in principle to sell its Con mine in the Northwest Territories of Canada to Red Lion Management, a Vancouver-based conglomerate.

No price has been revealed so far for Con, a deep underground gold mine which produced 120,000 ounces of the metal last year and has more than 1.1m ounces in reserves. The sale includes 16,700 acres of mineral interests around the mine in the city of Yellowknife of which only 12 per cent has been explored.

Scottish Equitable Dutch deal approved

By James Buxton, Scottish Correspondent

THE DEAL under which Aegon, the Dutch insurance group, will acquire control of Scottish Equitable Life Assurance Society took an important step forward yesterday when with-profits policyholders approved the transaction.

The deal means that the Edinburgh-based institution will cease to be a mutual company.

At a special meeting the change was approved by 29,885 policyholders, with 1,491 against.

Only two policyholders voiced serious opposition to the deal, the largest demutualisation by a British life company. Scottish Equitable said it needs to make the change to bring in new capital to continue expanding its unit-linked business.

Under the deal Scottish Equitable will transfer all its business to a new company, Scottish Equitable Plc, which will be 100 per cent owned by Aegon.

Aegon will inject £40m into this company and also pay £200m for an initial 40 per cent stake in Scottish Equitable Plc's unit-linked and other non with-profit business.

The with-profits fund will remain for the sole benefit of with-profits policy holders. A voting trust is to be established to give additional safeguards for the rights of all policyholders.

At the meeting, Mr Colin Fisher, a with-profits policyholder, moved the transaction be adjourned for three months.

"This is a takeover [by Aegon] from day one," he said. He called for "proper scrutiny of the strategy that led to this position – only that can tell us if the people sitting opposite are the right people to be running the company."

The motion to adjourn the meeting was defeated by 167 votes to eight.

Chinese show 'incredible' interest in fossil-fired turbine generators

Power systems is GEC's star performer

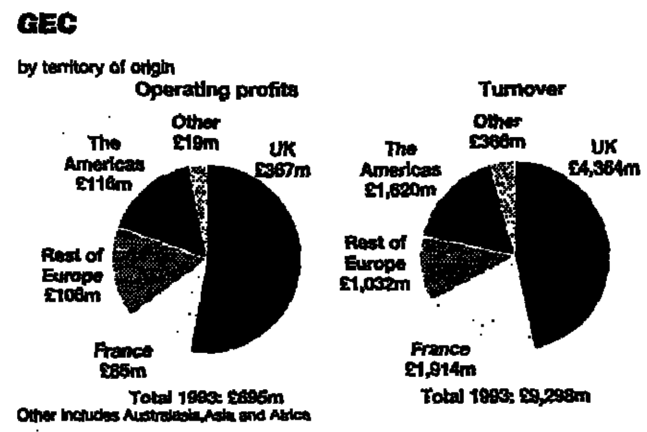
By Alan Cane

POWER SYSTEMS, GEC Alsthom's operations in power generating equipment and transport systems, was the star performer among GEC's principal businesses with an order book up 24 per cent at £6.1bn. Profits rose from £157m to £174m, on sales of £3.1bn compared with £2.8bn.

China, Taiwan and Germany were among the countries ordering fossil-fired turbine generators. Lord Weinstock said there had been "incredible" interest from China which had yet to translate into orders.

Orders were won for combined cycle gas turbine power stations in Europe and Asia including a 2,500MW power plant for Hong Kong and a 1,700MW station in the Netherlands.

Lord Weinstock said that GEC Alsthom's order book for rolling stock was now full for the next three years. Main contracts include 27 trains sets for the planned Paris, Brussels, Cologne and Amsterdam network, and 139 night service coaches for the Channel tunnel.



The company managed to achieve negative net assets of £81m on its power systems business because of pre-payments received for large capital projects. Apparently low margins achieved on such contracts were misleading, Lord Weinstock said, because of the interest which could be secured on the pre-payments.

However, both revenues and profits fell in telecommunications as orders for System X equipment from BT fell off rapidly. Sales of £1bn and operating profits of £106m were achieved, GEC said: "in trading conditions characterised by falling volumes and prices."

The price GEC is able to charge BT for an individual line has fallen to less than a quarter of its value in the late 1980s because of the growth of miniaturisation and integrated circuits.

A BT order valued at £579m, principally software for advanced applications, is the key to GEC's prediction of modest growth in sales and profits for the coming year. First half sales and profits, however, will be well down on on 1992-93.

Operating net assets were reduced by £120m as greater efficiencies are sought. Lord Weinstock warned that some parts of the company were beginning to invest in developments which would not reach the market. A review would be conducted soon to identify and cancel these developments: "It is not a big issue but 10 of these projects can end up costing you £100m a year" he said.

Electronic systems, comprising principally the defence businesses, showed an increase in sales despite declining defence expenditure in the US and UK. Exports grew 38 per cent to £862bn and the order book advanced 9 per cent to a record £4.9bn.

Operating profits came to £264m after reorganisation costs and development expenditure on programmes for the Eurofighter 2000, equipment for the Merlin helicopter, the US F22 fighter and an in-flight entertainment system for United Airlines.

Other parts of the business which performed well included office equipment and printing, achieved principally through the re-equipping and restructuring of AB Dick, the US-based office equipment supplier, and strong growth at Videojet, a world leader in continuous ink jet printing.

1993 OPERATING PROFITS AND TURNOVER BY ACTIVITY

	Operating profit £m	Turnover £m
Electronic systems	264	2,698
Power systems	174	3,135
Telecoms	106	1,012
Consumer goods	16	253
Electronic metrology	19	413
Office equipment & printing	32	314
Medical equipment	39	568
Other*	45	1,039
Intra-activity sales		(134)
Total	695	9,298

*Includes Electronic components, Industrial apparatus and Distribution & trading. Figures in brackets equals loss. Source: GEC

Hardy Oil calls for £29m via rights issue

By Deborah Hargreaves

HARDY Oil and Gas has launched a rights issue which will raise £29.1m net enabling it to acquire more producing oil and gas fields and improve its cash flow. The directors said the issue was partly prompted by changes in North Sea oil taxes.

Hardy is issuing 22m new shares on a 1-for-4 basis at 133p each. At yesterday's close the shares fell 3p at 159p.

"We want to bulk up our cash flow and boost the profit and loss account and the best way to do it is to buy current production in the UK and overseas", said Mr Peter Elwes, chief executive.

Building up cash flow will put the company in better position to take on the heavy costs of financing future field development in the UK.

Its share of development costs for the Elgin and Banff fields could be as much as £120m, with work on Elgin expected to begin in 1995 and Banff the following year.

The proposed changes to Petroleum Revenue Taxes will have a short-term effect on the profit and loss account – by removing a tax credit of nearly £7m enjoyed last year.

The government's transitional relief will reduce the impact on cash flow.

Mr Elwes said the rights issue would help the company cope with the change in taxes in the next two years, after which the reduced PRT rate will make its stakes in producing fields, such as the Forties, more profitable.

Proceeds will be used to buy more interests in the North Sea and possibly the Wytch Farm offshore development near Bournemouth.

Hardy is also looking to increase its position in Canada where oil production costs are as low as $3 a barrel and buy some exposure to the North American gas market.

These assets will generate cash flow immediately which will help finance future growth. The debt to equity ratio was 44 per cent at the end of March and the rights issue will bring it down to 38 per cent.

The rights has been underwritten by Lazard Brothers and brokers are Cazenove and Kleinwort Benson Securities.

NEWS DIGEST

Tobermory distillery in £1m sale

BURN STEWART, the independent Scotch whisky distiller, is to buy Ledaig malt distillery at Tobermory, Isle of Mull. The deal, expected to be announced today, is estimated at about £1m.

The distillery, at present owned by Mr Stewart Jowett, a Yorkshire businessman, will give Burn Stewart the rights to the Tobermory and Ledaig brands as well as stocks of maturing whisky.

The distillery has had a chequered history. It was established in 1823 but was closed from 1928 to 1972, when it was owned by Distillers, and was closed again for most of the 1980s.

Inco, the principal shareholder, continued to give assistance. On the financial side it had made available a facility of up to $450,000 (£300,000) to continue operations. Royal Bank of Canada agreed to defer payments of principal and interest during the reorganisation.

British Polythene

British Polythene Industries has purchased certain assets from the receiver of Punchcraft and its subsidiaries PC (Plastics) and Porter Hopkins, which are located at Workington, Cumbria, for £625,000 cash.

In the years ended March 31 1991 and 1992 turnover of the two companies was £5.51m and £5.36m respectively.

Last month Polythene purchased the polythene sack business of Crown Sacks & Systems for £4.4m cash.

William Jacks

William Jacks, the motor dealer, yesterday said that due to insufficient distributable reserves it would pass payment on its 3.5 per cent cumulative preference shares.

In April, the group announced pre-tax losses of £417,000 (£850,000) for the 12 months to end-January 1993.

Explaura

Explaura Holdings, the USM-quoted company which quarries limestone aggregates in Newfoundland, showed an increased loss of £2.37m for 1992, compared with £2.11m.

From turnover of £1.56m (£1.92m) operating profit was £517,000 (£263,000). A reduction in costs and expenses was outweighed by an exceptional £774,000 bad debt arising on the cessation of New York distributorship. Losses per share were 1.61p (1.66p).

Lister

Losses and special provisions largely associated with the restructuring of its furnishing operations, meant losses at Lister rose slightly, from £2.78m to £2.9m pre-tax, in the year to March 27.

The company – which makes a wide range of textile products and has interests in property investment, engineering and insurance broking – lifted sales to £33.5m (£30.9m), but poor trading conditions continued to hit margins.

Losses per share were 17.68p (17.11p), while the dividend is unchanged at 0.1p.

LIT

LIT Holdings, the marketing services, investment and fund management group, has reached agreement for the disposal of LIT America, its US futures and options clearing subsidiary. The purchaser is a subsidiary of Spear Leeds and Kellogg, a New York-based securities firm.

Consideration is $7.7m (£5.13m) cash and an amount of loan notes to be determined by a formula following a post-completion audit. The present estimate of the loan notes' face value is $16m.

Corporate Services

Corporate Services, the employment service concern, has issued £325,000 interest free convertible unsecured loan stock 2000 to Renaissance Holdings as part of the consideration for its purchase of Argosy Employment in 1991.

Administrative receivers of Renaissance are exercising the right of conversion, and 203,125 shares will be issued.

TDG

Transport Development Group is to close Translittoral, its long distance trunking subsidiary based in Boulogne, at a cost of FFr100m (£11.7m).

The action has been taken as part of a programme to stem heavy losses and the cost will be borne as a provision in the results to June 30.

City Site down to £170,000

A cut of £300,000 in interest charges enabled City Site Estates, the property investor, to record a pre-tax profit of £170,000 for the half year ended March 31 1993, compared with a previous £199,000.

Rental income was again £5.6m but property outgoing more than doubled to £518,000.

Earnings per share were 1p, against losses of 2p after preference dividends.

The company completed the disposal of Stockley House, London, for £26.6m, further reducing exposure to the central London market, and sold a Glasgow property for £2.45m.

Part of the proceeds were used to repay £6m of term loan facility and to buy in £5m of its first debenture stock.

Belgian side helps Wilshaw

A full year's contribution from its Belgian subsidiary in the distribution side helped Wilshaw lift pre-tax profits by 59 per cent.

For the year ended March 31 it produced £2.13m (£1.34m) from turnover ahead 34 per cent at £31.7m (£23.8m).

Earnings per share came to 1.59p (1.07p) and the final dividend is 0.35p to make 0.5p (0.4p).

The outlook for the current year was encouraging on all fronts, directors said.

The distribution division markets components for agricultural equipment. It lifted sales to £16.2m (£10.3m) and operating profit to £1.91m (£993,000).

In specialist metals sales were £11m (£9.03m) and profits held at £1.07m, while building products produced £4.46m (£4.42m) and £393,000 (£365,000) respectively.

Extraordinaries hit Cakebread

Part of the reorganisation at Cakebread Robey has been completed with the sale on Monday of its manufacturing companies, Clark Hunt Albion and Albion Design of Cambridge, for £1 to a company controlled by IMM Group.

All costs relating to the disposals were taken to the accounts for 1992, now published, in extraordinary charges of £4.45m.

Turnover fell 12.5 per cent to £20m and the loss of £1.7m before exceptionals was almost unchanged.

Weather havoc sends US soya futures higher still

By Laurie Morse in Chicago

RELENTLESS RAINS in the maize and soyabean-growing regions of the US are wreaking havoc on many grain farms and trimming US harvest prospects by the day.

Some desperate farmers are attempting to seed soggy fields by air, but others have abandoned the effort. Crops planted after the beginning of July, they said, would shrivel in the late summer heat.

The heaviest rainfall in 18 years has also stalled barge traffic on 500 miles of the upper Mississippi River, the primary transportation corridor for US grains headed for export at the US Texas and Lousiana gulf. Rising water has impeded navigation and lock operation.

Planting delays have sparked the biggest soyabean rally in four years at the Chicago Board of Trade. Soyabeans for harvest-time delivery rallied by 14 per cent from June 15 to a high of $6.60¾ a bushel yesterday.

Mr William Biedermann, vice president of Allendale, an agricultural research company, expects soyabean prices to reach $7 before the rally ebbs. "We're forecasting fewer planted acres and lower yields," he said yesterday. "There is no doubt the crop is in trouble."

The US Department of Agriculture planned to release its latest survey of farmer's planting intentions yesterday afternoon. But the survey, which was conducted early in June, will not reflect subsequent planting delays and private crop forecasters will trim 2m to 3m acres off the government's estimate to take account of these. Last year the US harvested 55 million tonnes of soyabeans, nearly three times the amount of the next biggest producer, Brazil.

This year the US soya crop could be as small as 50m tonnes, Mr Biedermann said. With rising exports and a smaller crop, the margin between supply and demand could narrow to a dangerously thin 65m bushels (60 lb each), or less than two week's supply, he added. Ending stocks in the US have averaged 324m bushels over the last five years.

While maize planting is also lagging, maize prices have not exploded like those for soyabeans. Healthy carryover stocks from last year's record crop will cushion domestic and export buyers from a small crop, grain dealers say.

Mr Mike Espy, the US agriculture secretary, who yesterday surveyed the four states most affected by the rains, may release federal disaster payments to the hardest-hit farmers. Fifteen Iowa counties have already been declared state disaster areas.

LME says goodbye to sterling

By Kenneth Gooding, Mining Correspondent

THE LONDON Metal Exchange today ends a tradition dating back 110 years. Copper, its "flagship" contract, which since 1883 has been quoted in sterling during the twice-daily open outcry sessions in the "ring" and in kerb (after hours) trading, will instead be quoted in US dollars.

Lead, quoted in sterling since the contract was launched in 1903, is also switched to dollars.

Mr David King, LME chief executive, said yesterday the changes "reflect the needs and wishes of our industrial clients and our members."

All other long-running LME contracts – for primary aluminium, nickel, tin and zinc – have been changed in recent years for the same reasons and the latest, for aluminium alloy, was launched as a dollar contract.

However, LME members previously had resolutely stood out against changing the copper and lead contracts even though most physical transactions as well as pre-market and inter-office business was conducted in dollars. Some traders claimed trading in sterling often provided opportunities to make extra profit from arbitrage and foreign exchange transactions.

Minds were changed during last November's turmoil in currency markets, which resulted in the UK's withdrawal from the European Community's exchange rate mechanism. Dealers complained that trading virtually ground to a halt at that time because it was impossible to convert sterling prices into dollars on forward contracts. When the LME held a poll, 70 per cent voted in favour of switching copper and lead to dollars.

Mr King said that the exchange had made arrangements to provide a daily sterling quote for copper and lead contracts that still had some time to run.

● The London Futures and Options Exchange (Fox) today changes its name back to London Commodities Exchange (LCE).

Chinese coal export surge predicted

CHINESE COAL exports will reach between 30m and 35m tonnes a year by the year 2000, according to a senior official in China's coal industry, reports Reuter from Sun City, South Africa.

Mr Hua Zugui, deputy managing director of China Coal Import and Export Company, gives the figures in a speech prepared for delivery at an international coal conference here. He says exports reached 20.2m tonnes last year – 80 per cent of it shipped to other Asian countries – compared with 6.44m tonnes in 1982.

"The fact that China has been able to more than double her exports in just one decade reflects the competitiveness of the Chinese coal industry within the world market," Mr Hua says. "The improvement of China's railway system and port facilities remain the key tasks for increasing coal exports," he adds.

He forecasts that China's annual demand for coal will reach 1.23bn tonnes by 1995 and 1.4bn tonnes by the end of the century.

● Japanese steam coal demand could more than double by the year 2002, a senior Japanese power company official will tell the conference.

"It is estimated that demand for steam coal for the electrical industry will rise from the present 31m tonnes, 25m tonnes imported, to some 75m tonnes in 2002 or a decade later," says Mr Koichi Takewaka, fuel department director at the Electric Power Development Company. He adds that the long-term, stable procurement of imported coal has become very important.

● South African coal exports could reach 77m tonnes annually by the year 2000, says Mr David Kotze, director of energy studies at the Rand Afrikaans University in Johannesburg, in his speech prepared for the conference. He says exports through the Richards Bay terminal should grow to 53m tonnes a year by 1995.

Reform brings fresh hope to Ghana's cocoa farmers

Leslie Crawford on prospects for the industry following the demise of the state buying monopoly

GHANA'S LONG-suffering cocoa farmers are looking forward to better prices and prompt payment as private traders begin competing for their crops this month, ending the Ghana Cocoa Board's monopoly of the cocoa trade.

Although Cocobod, as the board is known, will remain in charge of cocoa exports, three trading companies have been licensed to buy the crop at the farm gate. Competition is expected to be fierce, as Cocobod will pay a takeover fee of 54,000 cedis ($90) a tonne on cocoa delivered to port.

The government last week set the new producer price for the 1993-94 season at C308,000 a tonne, a 19.4 per cent increase over the previous season. This is expected to function as a floor price, as competition between traders may bid up the amount offered to farmers. Traders are also promising to reimburse farmers quickly. Under the old regime, producers often waited for months for Cocobod to pay up.

The reforms have revived the moribund co-operative movement in Ghana. More than 200,000 farmers have combined to form the Ghana Co-operative Marketing Association – one of the three companies to have won a trading licence from the government.

Co-operative's members are both nervous and excited at the challenges that lie ahead.

They have been busy obtaining bank loans to finance their start-up costs – fleets of trucks, weighing scales and tarpaulins to shelter their purchases. They have also approached aid agencies for help.

"We will only know how good the business is after the first season," says Mr Kojo Danso-Mensah at the co-op's ramshackle offices above a chicken farming outlet in the heart of Accra. "But we are promising our members a bonus depending on how much profit we make. Producers will get their money as fast as we can deliver the cocoa to port."

The traders insist that competition will not be at the expense of quality, as Cocobod will still oversee quality control at buying points.

Mr Osei Annoh, the co-op's treasurer, says farmers have also benefitted from the privatisation of Cocobod's unprofitable farms. He and three colleagues bought a 200-hectare (495-acre) estate from the government last year. "If you can prove your knowledge and interest in cocoa farming, you can buy these farms at one-tenth of their real value," he says. With more state farms up for sale, Mr Annoh predicts that "the co-operative movement will get a new lease of life with the government's privatisation programme". He planted 20,000 cocoa seedlings at the farm last year.

The new season, which began in mid-June, looks promising. The timely rains that fell between March and May have led the government to forecast production during 1993-94 at 285,000 tonnes, up from 275,000 tonnes in 1992-93. Nevertheless, export revenues in 1993 are projected to fall to $280m from $303m last year and over $500m in 1986, when cocoa prices were at their peak.

Mr K.J. Adjei-Maafo, head of the cocoa policy unit at the "Castle", the government seat in Accra, says his main objective at a time of plummeting cocoa prices is to maintain farmers' incomes, as 60 per cent of the rural population depend on this cash crop.

It has not been an easy task. The Cocobod's bloated bureaucracy has been slashed from 100,000 employees to 46,000 and another 20,000 jobs are to go within the next five years.

"The lay-offs have not made me a popular man, but they were necessary to stave off the collapse of the industry," Mr Adjei-Maafo says. To trim costs further, Cocobod's farms and chocolate factories have been privatised, and internal marketing opened to private sector competition.

In spite of these measures, farmers are being paid only about half of the international market price for their crop. Cocobod's marketing, processing and agricultural extension services consume the remaining income. The government's target is to put at least 60 per cent of cocoa's market value into farmers' pockets. And he believes farmers are already responding to higher prices with better crop management. The average yield last season increased by 44 per cent to 405 kg a hectare. This, however, is still only half the level achieved in the neighbouring Ivory Coast, the world's biggest cocoa producer.

There are more worries for Mr Adjei-Maafo. Ghana's efforts to give its farmers a better deal have led to a great deal of smuggling from the Ivory Coast, where the government has slashed its cocoa purchasing prices to remain competitive. The "contamination" of Ghana's premium quality cocoa with its neighbour's inferior stuff is viewed with understandable apprehension. Smugglers who are caught are being charged with "economic sabotage", a crime punished by life imprisonment.

Mr Adjei-Maafo is also bitter about growing competition from Asian producers such as Malaysia, which has overtaken Ghana as the third largest exporter after the Ivory Coast and Brazil. "Processing factories are learning to blend Asian beans with our premium produce, driving down prices and quality," he explains.

The outlook, he says, is grim. He does not see any improvement in cocoa prices over the next decade. And the government of Ghana, while not discouraging cocoa farmers, is not encouraging them to expand their farms either. The government hopes some farmers may be persuaded to switch to more promising export crops, such as pineapples. But the overriding importance of cocoa to the *Ghanaian* economy means that it will continue to depend on the world's taste for chocolate.

Farmers are being paid only about half the international price.

Study reveals wide range of UK farm earnings

By David Blackwell

THE TOP 25 per cent of arable farms in East Anglia, the UK's main grain growing region, earn 176 per cent more per hectare than average farms in the same area.

The latest government figures show that the average East Anglian combinable cropping farm had a net income of £131 a hectare and a gross margin of £592, according to a report to be launched at the Royal Agricultural Show this weekend. The top farms earned £362 a hectare on a gross margin £832.

The report – Competing in Changing Markets – has been put together by Adas, the farming consultants and an executive agency of the Agriculture Ministry. It describes the gap between the high and average earners in the arable sector as "startling".

"We are seeing the introduction of more open market conditions in agriculture," says Mr David Hall, Adas marketing director. This was beginning to highlight the difference between entrepeneurial and traditional farmers.

"The entrepreneurs are constantly looking for ways of reducing costs and opening up new opportunities for growth," says Mr Hall. "Some farmers appear less willing to do so, either through complacency or simply because they are happy with a lower return.

"But it is not certain how much longer they will be able to earn a living from a lower return," he warns.

On arable farms in the north of the country average net income per hectare was £92 while the top farms earned £256, or 178 per cent more. In the south the average was £107, compared with £224 at the top farms.

In the more controlled dairy sector, the difference between top and average performers was much narrower – between 8 and 13 per cent.

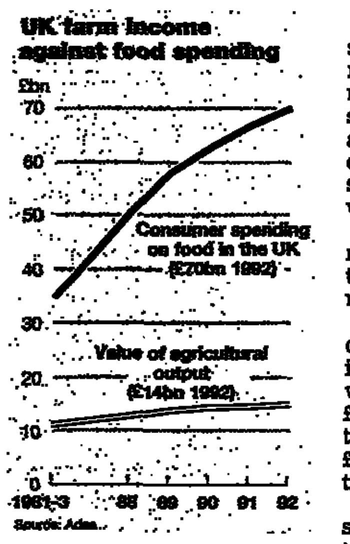
Mr Hall argues that in order to survive, farmers will have to develop their business acumen and adopt a more market-led approach. "We are entering an age of stiffening competition in which the safety net of EC support is wearing thin and the market is becoming increasingly global for UK Farming plc."

UK producers should capitalise on their high standards of hygiene, environmental friendliness and animal welfare, he suggests. They should also start to add value by processing their production, and collaborate with others in marketing.

He points out that consumers last year spent £70bn on food, while UK agriculture's share was only £14bn. "There is a massive opportunity for our farmers and growers – in the UK market alone – to seize a bigger share of consumer spend by moving up the food chain," says Mr Hall.

Competing in Changing Markets, 20 pages, free from Adas, Oxford Spires, Kidlington, Oxon 0X5 1NZ.

UK farm income against food spending



British Gas in Polish oil exploration deal

By Christopher Bobinski in Warsaw

BRITISH GAS and a Shell-Exxon consortium are to be granted petroleum exploration rights in Poland with talks on a final agreement expected to be completed in August, Polish officials have said.

The concessions are to be granted under a tender opened early last year and a new tender covering in eastern Poland is expected to be announced following completion of the present talks. The areas under discussion are east of Gdansk and west of Warsaw.

Last October Amoco signed a US$20m oil exploration agreement for areas south-west of Warsaw and south of Lublin in the east. This was followed this week by an agreement to spend US$10m over three years drilling for methane in Silesia.

WORLD COMMODITIES PRICES

MARKET REPORT

BASE METALS prices fell away from the highs yesterday afternoon on the London Metal Exchange, although most were still higher on the day. Three months **ALUMINIUM** retreated from a high of $1,260 a tonne in after-hours trading, with talk circulating that other North American producers did not intend to follow Alcoa's lead and cut production. But the price still ended $17 to the good at $1,248 a tonne. Three months **COPPER** consolidated above $1,900 a tonne but could not overcome resistance around $1,915 a tonne, the top of the recent technical range, dealers said. The market's strength has been helped by lost production at Chuquicamata and expectations of heavy drawdowns in stocks. But dealers warned that prices might head lower again if there was no stoppage at Kennecott's Bingham Canyon mine, where the labour contract expired yesterday. The July position on the London **COCOA** futures market rose to a peak of £736 a tonne in what traders interpreted as a bout of short-covering ahead of first notice day for deliveries against that contract. The September contract closed at £714 a tonne, up £6.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Aug)		+ or -
Dubai	$15.29-5.33z	-.165
Brent Blend (dated)	$17.38-7.40	-0.07
Brent Blend (Aug)	$17.63-7.65	-0.08
W.T.I (1 pm est)	$18.95-8.97z	-.135
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$200-202	+1
Gas Oil	$166-167	+1
Heavy Fuel Oil	$60-61	
Naphtha	$170-172	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)‡	$378.25	+1.50
Silver (per troy oz)‡	456.5c	+9.0
Platinum (per troy oz)	$385.65	+1.55
Palladium (per troy oz)	$138.00	+2.25
Copper (US Producer)	89.50c	+0.50
Lead (US Producer)	33.50c	
Tin (Kuala Lumpur market)	13.04r	+0.24
Tin (New York)	238.5c	+3.0
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	139.66p	-0.53*
Sheep (live weight)†‡	108.21p	-8.04*
Pigs (live weight)†	65.65p	-1.84*
London daily sugar (raw)	$260.1	-8.6
London daily sugar (white)	$273.5	-4.0
Tate and Lyle export price	£290.0	
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£168.5t	
Wheat (US Dark Northern)	£147.0u	
Rubber (Aug)¶	58.50p	-0.50
Rubber (Sep)¶	59.00p	-0.50
Rubber (KL RSS No 1 Jul)	207.0m	+0.5
Coconut oil (Philippines)§	$440.0v	-5.0
Palm Oil (Malaysian)§	$345.0y	-2.5
Copra (Philippines)§	$290.0	+5.0
Soyabeans (US)	£191.0x	+1.5
Cotton "A" Index	57.10c	-0.15
Wooltops (64s Super)	362p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Jul/Sep. z-Aug. v-Sep/Oct u-Jul t-Jun x-Aug/Oct ¶London physical. §CIF Rotterdam. ‡ Bullion market close. m-Malaysian cents/kg. ‡Sheep prices are now live weight prices. * change from a week ago, provisional prices.

SUGAR – LCE ($ per tonne)

White	Close	Previous	High/Low
Aug	277.00	272.70	277.00 272.50
Oct	269.00	263.70	269.00 263.00
Dec	270.40	263.20	270.40 264.50
Mar	270.50	263.70	270.50 264.00
May	270.00	266.70	270.00 269.20
Aug	274.00	269.70	274.00
Oct	268.00	262.70	268.00

White 1471 (2285) Paris- White (FFr per tonne): Aug 1591.67 Oct 1547.80

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low
Aug	17.63	17.66	17.78 17.62
Sep	17.82	17.84	17.95 17.82
Oct	17.99	18.02	18.13 17.99
Nov	18.16	18.18	18.23 18.16
Dec	18.28	18.35	18.33 18.26
IPE Index	17.65	17.57	

Turnover 12731 (24022)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low
Jul	164.75	163.75	165.50 164.00
Aug	166.25	165.75	166.75
Sep	167.75	167.25	168.50 167.75
Oct	170.75	170.25	171.25 170.50
Nov	173.00	172.25	173.50 173.00
Dec	175.25	174.50	175.50 175.00
Jan	176.25	175.75	176.00 176.00

Turnover 14666 (7698) lots of 100 tonnes

WOOL

The Australian selling season ended last week with the market indicator at 444c/kg, seven cents higher than at the end of the previous week, but tending to soften a fraction at the close. The final weeks of the season saw small and erratic fluctuations but no resumption of the strong rise which led to improvement in buying activity throughout the industry at the end of April. Holidays and the lack of auction test of wool prices are likely to mean a dull and static market in the forthcoming weeks.

COCOA – LCE (£/tonne)

	Close	Previous	High/Low
Jul	719	709	736 710
Sep	714	708	720 709
Dec	716	711	716 710
Mar	726	723	728 712
May	738	734	738 734
Jul	750	745	753 749
Sep	762	756	764 762
Dec	780	774	783 780
Mar	797	793	805 802
May	812	805	814

Turnover: 7500 (7928) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 29 724.51 (713.02) 10 day average for Jun 30 722.29 (719.21)

COFFEE – LCE ($/tonne)

	Close	Previous	High/Low
Jul	893	891	893 884
Sep	917	918	918 910
Nov	915	917	918 913
Jan	911	914	916 910
Mar	911	916	918 910

Turnover: 6060 (4002) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jun 29 Comp. daily 54.03 (54.94) 15 day average 54.71 (54.67)

POTATOES – LCE (£/tonne)

	Close	Previous	High/Low
Apr	86.8	85.2	87.0 85.5

Turnover 33 (34) lots of 20 tonnes.

SOYAMEAL – LCE (£/tonne)

	Close	Previous	High/Low
Aug	154.00		
Oct	154.00	153.30	

Turnover 0 (0) lots of 20 tonnes.

FREIGHT – LCE ($10/index point)

	Close	Previous	High/Low
Jul	1306	1328	1320 1305
Aug	1277	1299	1295 1277
Oct	1375	1395	1380 1375
Nov	1380	1402	1385 1380
Jan	1392	1415	1400 1392
BFI	1473	1484	

Turnover 250 (208)

GRAINS – LCE (£/tonne)

Wheat	Close	Previous	High/Low
Sep	106.15	106.30	106.00
Nov	107.85	107.90	107.80 107.60
Jan	110.35	110.45	110.35 110.20
Mar	112.60	112.66	112.55 112.35
May	114.86	114.90	114.80 114.60
Barley	**Close**	**Previous**	**High/Low**
Sep	104.40	104.65	
Nov	107.40	107.15	

Turnover: Wheat 42 (97), Barley 0 (139).
Turnover lots of 100 Tonnes.

PIGS – LCE (Cash Settlement) p/kg

	Close	Previous	High/Low
Jul	109.3	108.5	109.0
Aug	104.3	103.8	104.0
Sep	104.7	104.3	104.5

Turnover: 7 (0)lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 52,456 lots	
Cash	1232-3	1204.5-5.5		1220.5-1		
3 months	1255-6	1228-8.5	1260/1236	1243.5-4	1248-9	221,958 lots
Copper, Grade A (£ per tonne)					Total daily turnover 95,584 lots	
Cash	1273.5-4.5	1242-4	1284	1264-4.5		
3 months	1286-7	1256-7	1289/1273	1274.5-5	1286-7	227,484 lots
Lead (£ per tonne)					Total daily turnover 4,495 lots	
Cash	258-8.5	258-9		258-8.5		
3 months	269-9.5	269-70	271/269	269.5-70	270-1	21,795 lots
Nickel ($ per tonne)					Total daily turnover 6,251 lots	
Cash	5365-70	5350-5		5345-7		
3 months	5424-5	5410-5	5435/5410	5405-10	5415-20	50,196 lots
Tin ($ per tonne)					Total daily turnover 2,776 lots	
Cash	5075-85	5080-5		5070-5		
3 months	5130-5	5135-40	5200/5120	5125-30	5190-200	10,159 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 9,609 lots	
Cash	926-7	916.5-7.5	921.5	921.5-2		
3 months	944.5-5	935.5-6	947/940.5	940-0.5	943-3.5	71,066 lots

LME Closing £/$ rate:
SPOT: 1.4935 3 months: 1.4836 6 months: 1.4767 9 months: 1.4703

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	378.00-378.50	
Opening	378.50-378.90	
Morning fix	379.00	251.326
Afternoon fix	378.45	250.430
Day's high	379.50-380.00	
Day's low	377.50-378.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.49	6 months	2.50
2 months	2.50	12 months	2.62
3 months	2.50		

Silver fix	p/troy oz	US cts equiv
Spot	303.60	457.50
3 months	307.95	460.95
6 months	312.20	464.85
12 months	320.65	473.40

GOLD COINS

	$ price	£ equivalent
Krugerrand	378.50-381.50	251.00-258.00
Maple leaf	386.00-388.45	-
New Sovereign	90.00-93.00	59.00-61.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Aug	Oct	Aug	Oct
1175	72	96	10	18
1200	54	79	17	26
1225	40	64	27	36
Copper (Grade A)	**Calls**		**Puts**	
1800	126	148	14	37
1850	88	115	28	54
1900	59	88	48	77
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
850	76	88	9	23
900	42	59	25	44
950	20	39	53	74
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
700	32	51	18	35
725	20	39	31	47
750	12	29	48	63
Brent Crude	**Aug**	**Sep**	**Aug**	**Sep**
1700	-	-	5	12
1750	38	-	11	23
1800	10	32	37	-

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jul	378.4	378.8	0	0
Aug	379.2	379.5	381.0	378.4
Sep	380.2	380.5	0	0
Oct	381.1	381.4	382.4	380.8
Dec	382.9	383.2	384.9	382.2
Feb	384.5	384.8	385.2	384.5
Apr	386.1	386.4	387.5	386.0
Jun	387.7	388.0	388.2	388.2
Aug	389.5	389.8	390.0	390.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	386.0	384.7	387.5	384.0
Oct	386.5	387.5	389.5	387.0
Jan	389.0	388.0	390.0	388.0
Apr	389.5	388.5	391.0	389.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jul	455.8	456.3	460.0	454.5
Aug	457.1	457.9	459.0	459.0
Sep	458.7	459.5	464.0	457.0
Dec	463.7	464.5	469.0	462.0
Jan	464.3	465.1	0	0
Mar	468.3	469.1	472.0	468.0
May	471.9	472.7	475.0	471.0
Jul	475.1	475.9	479.0	474.5
Sep	478.7	479.5	483.0	479.5
Dec	484.2	485.0	487.0	484.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	85.80	85.05	85.90	84.85
Aug	86.15	85.50	0	0
Sep	86.50	85.90	86.70	85.50
Oct	86.60	86.05	86.25	86.25
Nov	86.85	86.25	0	0
Dec	86.75	86.45	86.80	86.00
Jan	86.80	86.65	86.80	86.80
Feb	86.90	86.85	86.90	86.90
Mar	87.00	87.10	87.10	86.30
Apr	87.10	87.25	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Aug	18.94	19.01	19.14	18.93
Sep	19.19	19.27	19.38	19.19
Oct	19.40	19.47	19.57	19.40
Nov	19.60	19.62	19.72	19.58
Dec	19.65	19.73	19.83	19.68
Jan	19.80	19.82	19.92	19.80
Feb	19.90	19.88	19.99	19.90
Mar	19.90	19.93	19.99	19.90
Apr	20.00	19.97	20.10	20.00
May	20.00	20.01	20.08	20.00

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jul	52.45	52.56	52.85	52.45
Aug	52.85	52.87	53.25	52.85
Sep	53.90	53.93	54.20	53.80
Oct	55.00	55.00	55.25	54.90
Nov	56.05	56.07	56.30	55.95
Dec	57.00	57.07	57.30	57.00
Jan	57.51	57.67	57.90	57.65
Feb	57.70	57.52	57.90	57.75
Mar	56.60	56.42	56.75	56.60
Apr	55.35	55.22	55.75	55.75

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	880	874	880	876
Sep	903	900	908	895
Dec	931	930	939	926
Mar	957	960	962	953
May	977	980	0	0
Jul	998	1001	1005	1005
Sep	1021	1024	0	0
Dec	1043	1046	1045	1045
Mar	1076	1079	1077	1077
May	1101	1104	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	59.90	59.25	59.95	59.00
Sep	61.35	60.60	61.40	60.35
Dec	63.70	63.10	63.90	62.80
Mar	65.75	66.60	66.05	65.40
May	67.35	67.10	67.80	67.55
Jul	69.95	69.05	69.35	69.00
Sep	70.55	70.30	70.80	70.80

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	9.85	9.34	10.05	9.52
Oct	10.45	10.05	10.46	10.10
Mar	10.32	10.00	10.32	10.05
May	10.32	9.97	10.32	10.05
Jul	10.18	9.88	10.18	9.97
Oct	10.10	9.84	10.09	9.90

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	54.60	54.40	55.50	54.60
Oct	56.95	56.77	57.70	56.60
Dec	57.35	56.82	57.85	56.70
Mar	58.25	57.85	58.75	57.90
May	58.75	58.50	59.00	58.60
Jul	59.30	59.10	59.30	59.20
Oct	60.25	60.20	60.40	60.00
Dec	60.25	60.20	60.50	60.20

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	120.00	120.50	120.80	118.20
Sep	124.00	124.25	124.80	122.15
Nov	126.60	126.50	127.50	125.00
Jan	128.50	128.10	128.50	126.75
Mar	129.70	129.70	129.70	128.50
May	130.35	131.05	130.30	129.50
Jul	130.35	131.05	0	0
Sep	129.35	131.05	0	0
Nov	129.30	131.05	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)

Jun 30	Jun 29	mnth ago	yr ago
1659.5	1667.3	1665.2	1555.1

DOW JONES (Base: Dec. 31 1974 = 100)

	Jun 29	Jun 28	mnth ago	yr ago
Spot	120.13	120.53	120.03	115.03
Futures	119.89	120.24	121.67	120.29

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	652/4	633/2	664/4	636/0
Aug	655/0	635/4	657/4	640/4
Sep	656/2	634/6	658/0	640/4
Nov	659/4	637/0	660/4	642/4
Jan	661/4	640/4	663/4	645/4
Mar	665/0	644/4	666/0	649/0
May	666/0	646/2	668/0	649/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	23.65	22.61	23.66	22.82
Aug	23.81	22.86	23.83	23.01
Sep	23.95	22.95	23.95	23.15
Oct	24.10	23.10	24.10	23.35
Dec	24.31	23.33	24.33	23.57
Jan	24.40	23.42	24.40	23.65
Mar	24.53	23.53	24.53	23.80
May	24.55	23.64	24.55	23.90

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	203.6	198.3	204.8	199.9
Aug	203.3	198.2	205.0	199.5
Sep	203.5	198.4	205.3	200.0
Oct	203.3	198.7	205.0	200.5
Dec	205.1	199.8	207.0	201.5
Jan	204.7	199.5	206.0	201.8
Mar	203.7	199.1	208.0	202.0
May	203.2	199.6	205.0	202.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	222/6	217/6	224/6	218/6
Sep	229/0	224/4	231/0	226/0
Dec	238/2	233/4	239/6	235/0
Mar	245/0	240/6	246/4	242/4
May	249/6	245/4	251/0	247/6

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	286/0	279/2	288/0	280/4
Sep	287/2	284/4	292/0	285/6
Dec	298/6	295/0	302/2	296/0
Mar	304/4	301/0	307/6	301/4
May	304/4	300/0	306/0	301/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	75.050	74.725	75.100	74.650
Oct	75.125	74.700	75.350	74.600
Dec	75.550	75.125	75.700	75.100
Feb	75.350	74.975	75.425	74.975
Apr	76.450	76.150	76.575	76.175
Jun	73.350	73.025	73.500	73.250

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Jul	47.850	47.575	47.800	47.350
Aug	44.900	44.875	45.350	44.700
Oct	40.300	40.300	40.725	40.175
Dec	40.950	40.550	41.000	40.500
Feb	41.200	40.850	41.400	40.900
Apr	40.250	39.875	40.300	40.000
Jun	46.100	45.750	46.100	45.750

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	32.900	32.950	33.400	32.700
Aug	32.075	31.975	32.500	31.800
Feb	39.675	39.350	39.700	39.100
Mar	39.150	38.600	39.250	38.800
May	39.500	39.800	0	39.500

LONDON STOCK EXCHANGE

Late rise sees Footsie close at 2,900

By Steve Thompson

THE LAST trading session of the half-year saw UK equities stage a strong late move to regain the 2,900-level on the FT-SE 100 index, shrugging off the effects of what was initially seen as a disappointing outcome to the latest gilt auction.

The catalyst for the recovery in equities was the announcement in the early afternoon of Hanson's acquisition for $3.2bn of Quantum Chemical, the US polyethylene manufacturer and the subsequent rally in gilt-edged stocks after the market had time to rethink its views of the gilt auction.

In Germany the Bundesbank lowered its repurchase rate from 7.59 per cent to 7.58 per cent, a move which did nothing to dispel market hopes that a reduction in Germany's key discount and Lombard interest rates could be on the cards today when the Bundesbank's policy making council meets in Leipzig.

Senior dealers in London said the faltering recovery in the US and the French unemployment figures pointed to further reductions in international interest rates. "Even if the Germans don't cut tomorrow, they will before July is out," said one trader.

The FT-SE 100 opened around two points easier, unsettled by Wall Street's overnight decline, but quickly moved into positive territory during the first hour of trading following an upturn in the FT-SE future and the appearance of some keen buying interest in the leaders, notably in the financial sectors.

However, news that the record £3.25bn gilts auction was subscribed for only 1.1 times, against expectations of 1.5 to 2 times, undermined confidence in gilts which came under pressure before staging a good rally.

Only marginally higher over the lunchtime period, the FT-SE 100 moved into overdrive when the Hanson acquisition news was announced. The index settled 14.0 up at exactly 2,900 at the close, easily outpacing the more sluggish FT-SE Mid-250 index, although the latter kept up its good run, ending the day 6.6 higher at a peak 3,235.7. Turnover in equities totalled 550.4m shares, marginally down on Tuesday's level. After dipping below the £1bn on Monday, the value of customer business in the market increased to £1.1bn on Tuesday, according to Stock Exchange figures.

The market's latest newcomer, Devro International, staged a sizzling debut, at one point racing up to a 26p premium on the 170p flotation price before easing back.

Bank shares raced higher, led by Barclays after a joint research document prepared by Robert Flemings and Dun and Bradstreet focused on the 63 per cent proportion of Barclays' property book in the South East.

TSB moved higher amid *dubious stories that the bank's* Hill Samuel merchant bank was about to be sold for £780m. Standard Chartered stood out as a lone poor performer in the banks, following rumours that Lloyds may be about to unload *its 4.68 per cent stake, acquired* during its unsuccessful takeover bid for standard in the 1980's.

Traders adopted a much more bullish view of UK equities *following the Hanson deal*, which it was said transformed the mood of the market. "Hanson set the tone and moving into the third quarter we *expect more support from the* institutions," said a senior marketmaker at a leading UK house.

TRADING VOLUME IN MAJOR STOCKS

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates

*First Dealings:		
Jun 21	Jul 5	Jul 19
Option Declarations:		
Jul 1	Jul 15	Jul 29
Last Dealings:		
Jul 2	Jul 16	Jul 30
Account Day:		
Jul 12	Jul 26	Aug 9

*New time dealings may take place from 8.30am two business days earlier.

Hanson wanted on US deal

TURNOVER in Hanson jumped to 21m after the market was enlivened by the news that the international conglomerate is to acquire Quantum Chemical, the US polyethylene and industrial chemicals group, in an agreed $3.2bn deal.

Excited market watchers said the move may be the first signs of the return of big corporate deals after a four year absence. Hanson shares, which had eased to 222p just before the mid-afternoon announcement, closed 4 ahead at 227p.

Hanson is paying Quantum share holders by issuing 42m American Depositary Receipts(ADRs) and will also assume $2.5bn of debt, to be refinanced at lower levels. It later indicated it would be making a saving of $125m in the first year.

Analysts said the issuing of ADR's will raise the level of US holdings in Hanson to around 27 per cent. "The company has indicated it would like to see that level at around 50 per cent, as the US contributes around half of the group's earnings.

Mr Zafar Khan at Strauss Turnbull said: "This is a very good deal as Hanson has managed to buy Quantum at the bottom of the cycle and there should be big gains with the recovery in its markets. What is more, Hanson has the balance sheet to deal with the huge debt that comes with the acquisition."

Financials firm

Financial stocks in both the banks and insurance sectors underpinned the rise in the market yesterday.

In banks, whose reporting season kicks off later this month, it was a bullish joint note from Robert Fleming and Dun & Bradstreet that fuelled the rise in Barclays. Both brokers pointed out that the bank had the biggest exposure to the UK property sector and it was a likely beneficiary from its expected recovery. The shares gained 11 to 483p, in thin trade of 2.1m.

Speculation that Lloyds was about to off-load its 4.68 per cent stake in Standard Chartered helped the former harden 10 to 580p, and the latter to relinquish 5 to 778p. Renewed talk that TSB had at last found a buyer for Hill Samuel, its *merchant banking arm*, helped it gain 2 to 195p.

In insurance stocks, most of the day's main action centred around the composite insurers. The biggest rise was in *General Accident* where the shares jumped 19 to 623p, after two leading brokers visited the group's US operations, coming away with a very positive picture.

The appointment of Mr John Carter as the new chief executive of **Commercial Union** cheered the market and the shares advanced 14 to 615p, with a slight squeeze having played a part in the rise. Also firm was **Royal Insurance Holdings** where the shares closed 5 better at 315p, while **Sun Alliance** *put on 6 to 357p*.

Devro surges

Sausage casing manufacturer **Devro** ***International*** came to the market at 170p and immediately went to a hefty premium on strong institutional business. One salesman *said: "It's been nothing but buyers for most of the day. There are still a lot of unsatisfied investors out there."*

With the initial placing over three times *oversubscribed*, the pent up demand pushed the trading range to the 195-200p level, although profit-taking took the shine off the rise towards the *end of the session*. The shares closed at 193p, a first-day premium of 23, with a hefty 30m traded.

However, food manufacturing analysts were *optimistic that* Devro would retain its present levels, possibly with some upside to come. Mr Tim Potter at Smith New Court said: "Most investors have bought into *Devro* on a long-term *basis*. This is a quality *stock* with good prospects."

While the recovery at Ratners continued, with losses dropping sharply in its results yesterday, stores specialists continued to be gloomy over the prospects for investors. However, there was still plenty of small speculative investors betting on a limited recovery for the jewellery group to ensure the shares closed 3½ up at 35½p with a hefty 19m traded.

While Ratners, which also announced it was changing its name, was insisting privately yesterday that it would break even this year, few analysts were confident enough to change their profit forecasts and most stayed around the *£10m deficit level*.

A Japanese press report that Tokyo was poised to slash whisky duties sent Guinness shares sharply forward. However, *although government* sources were said to have partly confirmed the story, the cuts are likely to have negligible bearing on Guinness' revenues. *The realisation took the wind out of the shares advance* and they closed 6 ahead at 471p, after 475p.

The market was disappointed with the £86m Allied *Lyons* received for the sale of its Chateau Latour wine subsidiary, a figure of £100m having long been mooted. Allied shares slipped 8 to 537p.

Forte continued its strong recovery, adding 5 to 227p, amid talk of a presentation at SG Warburg, the merchant bank. *Ladbroke gained* 5¼ to 185p.

After buying a near-15 per cent stake in LWT on Tuesday, Granada opened weakly, dropping 10 at the outset. However, favourable press and broker comment helped the shares to recover during the day and they closed a penny firmer at 418p.

Calm returned to the television stocks after the previous day's flurry of buying. LWT convertible preference shares held on to their 466p level after the company announced that Mercury Asset Management was one of the previous day's sellers to Granada.

The sector's star performer was Scottish Television which enjoyed a rise of 21 to 545p.

A solid set of results from GEC left the market largely unmoved, although it prompted a round of modest upgrades. The shares edged forward a penny to 339½p.

Tuesday's announcement of the discount for individual subscribers to BT3 together with the start of the institutional round of presentations ensured British Telecom stayed in positive territory. The shares rose 5½ to 428½p.

British Steel continued to be weakened by *concerns about* overcapacity in European steel. The shares gave up 3 to 95p, in trade of 6m with NatWest Securities reported to have been *among the day's main* seller of the stock. Further hopes of an increased offer for bid target **Securiguard** saw the shares harden 2 to 315p. Its predator **Rentokil** edged a *penny forward to 204p*.

Rumours of a downgrade in Boots left the shares 4 adrift at 442p.

Results from Eastern Elec*tric sent the shares forward*, although they later faded to close unchanged at 472p. A stock overhang was said to have hindered Scottish Hydro, *off 5 at 336p*.

Healthcare group Amersham International climbed 10 to 798p, with Credit Lyonnais Laing issuing a strong buy recommendation on *what it* sees as improved margins.

Starmin, the quarry products group, fell a penny to 2¾p after the company's annual report *was deferred and the chief* executive Mr Osman Abdullah quit.

A negative stance by SG Warburg on Coats Viyella sent *the price down 4 to 243p*. Analyst Mr Laurence Rubin: "We thought Coats had probably run a bit too far although there is nothing fundamentally wrong." The broker advised a switch into Courtaulds, which closed a penny lighter at 538p.

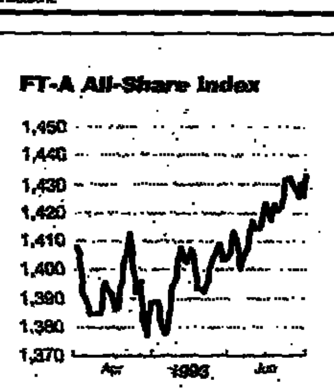
Yield considerations strengthened some property companies with a buy programme also boosting share prices. Slough Estates moved ahead 10 to 215p and Land Securities rose 7 to 597p.

Ascot Holdings returned to *trading after suspension* - finishing the day at 6½p after its pre-suspension level of 16½p.

MARKET REPORTERS:
Joel Kibazo, Christopher Price, Christine Buckley.

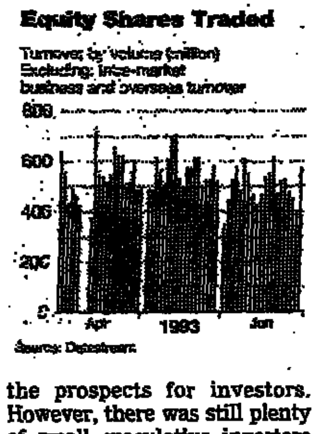
■ Other statistics, Page 24

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Source: Datastream

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (145). [illegible] ... Indl., Headway, Vinten, Whitecroft, PACKG, PAPER & PRINTG (4) Brit. Polythene, Bemrose, NMC, Smith (DS), PROP (4) Benchmark, Fletcher King, Land Sec., Slough 8¼pc Pf., STORES (4) Courts, Goldsmiths, Moss Bros., Stylo, TEXTS (1) Hicking Pentecost, PLANTATIONS (1) Anglo-Eastern, MINES (17).
NEW LOWS (27).
AMERICANS (1) Woolworth, BLDG MATLS (2) Chieftain, Starmin, CHEMS (1) Brit. Vita, CONGLOMERATES (1) Hanson, ELECTRONICS (2) Division, Domino, ENG GEN (2) Barry Wehmiller, Wellman, FOOD MANUF (1) Everest, FOOD RETAILING (2) Morrison (Wm), Do 5¼pc Pf., HEALTH & HSEHOLD (2) Brit. Bio-Tech., Intercare, INV TRUSTS (2) EFM Inc., Fmg. High Inc., MEDIA (1) Sunset & Vine, MTL & MTL FORMING (1) Johnson Matthey, MISC (3) Cornwell Parker, Coeck, Pittards, OIL & GAS (2) Midland & Scot. Res., Sunrise, PROP (1) Bredero, TEXTS (1) PEX, TRANSPORT (1) Transport Dev., MINES (1) MIM.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2900.0 +14.0	3235.7 +6.6	1432.31 +5.54

	Jun 30	Day's change %	Jun 29	Jun 28	Jun 25	Year ago	Earnings yield %	Dividend yield %
FT-SE 100	2900.0	+0.5	2886.0	2897.0	2887.5	2493.9	5.83	3.96
FT-SE Mid 250	3235.7	+0.2	3229.1	3223.9	3213.1	2527.5	6.00	3.70
FT-SE-A 350	1446.6	+0.4	1440.5	1444.3	1438.5	1218.7	5.87	3.90
FT-SE SmallCap	1649.24	-0.1	1649.82	1648.95	1647.22	-	4.24	3.44
FT-SE SmallCap ex Inv Trusts	1651.88	-0.1	1653.43	1652.07	1651.91	-	4.68	3.63
FT-A ALL-SHARE	1432.31	+0.4	1426.77	1430.17	1425.65	1204.05	5.77	3.88
1 CAPITAL GOODS(213)	1011.65	...	1011.67	1013.55	1008.63	810.73	4.17	3.92
2 Building Materials(27)	1073.81	+0.4	1069.35	1068.50	1060.63	887.35	3.51	4.39
3 Contracting, Construction(29)	953.06	-0.1	953.37	955.66	950.19	809.56	1.43	3.45
4 Electricals(15)	2934.22	-0.2	2939.10	2950.04	2974.90	2434.60	4.99	4.60
5 Electronics(37)	2806.20	...	2805.58	2820.66	2808.10	1987.22	5.81	3.09
6 Engineering-Aerospace(7)	412.76	+0.4	411.23	411.57	408.76	333.82	‡	3.58
7 Engineering-General(51)	583.49	...	583.44	582.59	580.65	499.11	6.23	3.62
8 Metals & Metal Forming(10)	406.37	-1.5	412.59	411.69	412.79	306.89	‡	2.69
9 Motors(19)	409.78	+0.2	403.81	407.69	405.53	334.97	4.62	5.38
10 Other Industrials(18)	2132.22	-0.2	2136.20	2145.28	2130.33	1739.03	5.37	4.22
21 CONSUMER GROUP(238)	1644.70	+0.3	1640.03	1646.28	1643.36	1595.66	6.86	3.53
22 Brewers and Distillers(30)	1902.75	+0.4	1896.03	1904.42	1900.01	2054.93	8.29	3.85
25 Food Manufacturing(22)	1316.72	-0.1	1317.62	1317.80	1319.61	1241.72	7.47	3.87
26 Food Retailing(18)	2981.62	+0.3	2973.26	2984.27	2993.51	2875.33	8.53	3.51
27 Health & Household(30)	3355.38	+0.6	3336.02	3363.54	3362.61	3702.81	6.53	3.67
29 Hotels and Leisure(20)	1368.73	+0.8	1355.76	1361.38	1348.16	1241.35	6.16	4.35
[illegible]								

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2884.0	2891.2	2887.7	2887.5	2888.9	2890.6	2891.8	2896.7	2898.8	2900.0	2884.0
FT-SE Mid 250	3230.7	3232.8	3233.5	3232.5	3232.4	3231.9	3232.2	3234.2	3235.9	3236.0	3230.7
FT-SE-A 350	1440.0	1443.0	1441.7	1441.5	1442.4	1442.7	1443.1	1445.2	1446.2	1446.7	1440.0

Time of FT-SE 100 High: 4.29pm Low: 8.31am

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	15.10	Close	Previous close	change
Constrctn	1845.8	1846.6	1847.9	1847.1	1844.7	1836.7	1838.7	1835.0	1836.7	1837.0	1845.7	-8.7
Health&H	1004.0	1008.0	1007.5	1005.8	1005.4	1005.8	1005.9	1007.7	1009.0	1009.5	1003.4	+6.1
Water	1334.3	1334.1	1334.0	1332.8	1338.3	1338.2	1338.1	1338.4	1338.1	1338.1	1336.2	+1.9
Banks	1772.5	1776.8	1772.8	1777.4	1783.1	1783.3	1786.6	1788.6	1792.8	1795.8	1776.8	+19.0

LONDON SHARE SERVICE

BRITISH FUNDS

OTHER FIXED INTEREST

Continued on next page

FINANCIAL TIMES EQUITY INDICES

	June 30	June 29	June 28	June 25	June 24	Year ago	* High	* Low
Ordinary share	2270.9	2263.0	2268.3	2264.5	2269.3	1917.3	2289.5	2124.7
Ord. div. yield	4.09	4.10	4.09	4.09	4.08	4.79	4.52	4.07
Earning yld % full	4.85	4.85	4.84	4.83	4.84	7.01	6.38	4.82
P/E ratio net	26.41	26.40	26.46	26.41	26.47	17.80	26.57	19.40
P/E ratio nil	24.45	24.43	24.49	24.45	24.50	16.61	24.60	18.14
Gold Mines	206.8	201.9	206.7	195.5	193.3	89.3	208.8	80.0

*for 1993. Ordinary share index since compilation: high 2289.5 10/3/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2262.8	2269.1	2266.3	2265.6	2266.9	2267.1	2267.5	2270.2	2270.8	2271.5	2262.8

Volume	June 30	June 29	June 28	June 25	June 24	Year ago
SEAQ Bargains	28,598	28,987	28,432	27,196	26,354	20,570
Equity Turnover(£m)†	-	1103.3	931.5	1158.5	1139.2	982.7
Equity Bargains†	-	31,375	32,185	31,400	30,367	22,530
Shares traded (mil)†	-	578.2	405.7	453.5	478.6	412.9

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
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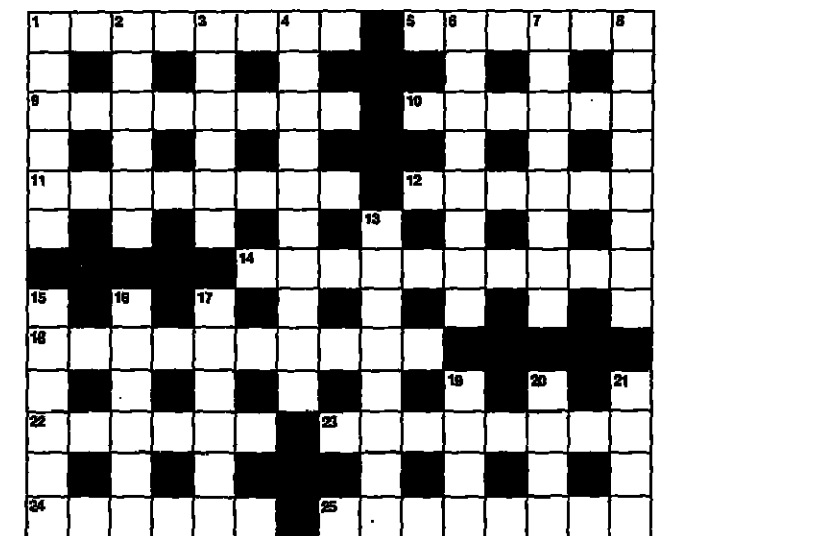
CROSSWORD

No.8,190 Set by VIXEN

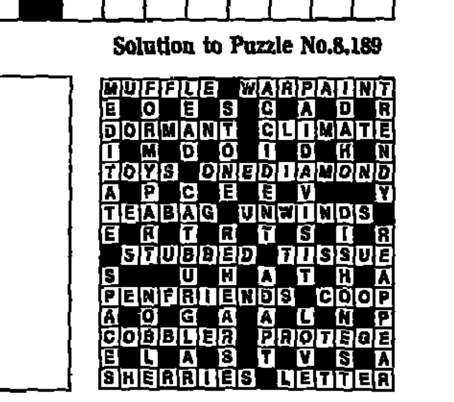


ACROSS
1 Thought to tip the perfectionist (8)
5 *Make up for disappointing* spread (6)
9 Dressing salmon for dinner? (4-4)
10 Learners turning in error (4-2)
11 Report of new oriental com*bine* (8)
12 The man's going round skill centres (6)
14 *History teacher*, a person of real ability (4,6)
18 Malaise giving rise to some resentment (3-7)
22 A log *intended to entertain* (6)
23 Sound, like the taking individual (8)
24 *Making a note in the investigation of certain people* (6)
25 Ride a bit perhaps, occasioning much criticism (8)
26 *Vital* parts obtainable from Glamorganshire only (6)
27 Totally in the dark? (3,5)

DOWN
1 Advise on trendy fashion (6)
2 Simply lie – say fault devel*oped* (6)
3 Border checks (6)
4 The main issue well presented at a suitable *time* (10)
6 Trifle could become dear in the latter part of the year (8)
7 *Stuff* about English standard set at intervals (8)
8 Endeavour to contain a nuisance – *that's material* (8)
13 Good man left without revised list and coming to a halt (10)
15 Noted speech (8)
16 Pole in need – not fully employed (8)
17 Fruit and vegetable might appear about right (8)
19 Silent characters maybe take notice (6)
20 A sailing man administer*ing a sharp rebuke* (6)
21 Quite new note and coin (6)

JOTTER PAD

Solution to Puzzle No.8,189



EQUITY FUTURES AND OPTIONS TRADING

GILTS held the key to the fortunes of the stock index futures with a lacklustre start to trading ahead of the gilt auction results, Christine Buckley writes.

The announcement that the auction was only 1.1 times oversubscribed against a market expectation of 1.5 *times* unnerved some *investors* and the September *contract* fell to 2,900 its low of the day, its recent resistance level.

September followed the recovery in the gilts and was aided by technical support.

There were *few other* pointers for a market which managed a volume of only 6,640 contracts. Some of its buoyancy was attributed to window dressing at the end of the second quarter.

Faint hopes of interest rate cut hopes rose to the surface on the *thinking that if gilt auctions attract* fewer buyers the government may have to stimulate interest with a rate cut.

The index hit its high of 2,922 just after Wall Street opened with sellers *pushing it* down slightly *in late trading to a finish* of 2,917. As in the previous day's trade it mus*tered a close of 6 points ahead of its fair value premium* to cash of 11 points.

Hanson performed well in traded options on news of its acquisition of Quantum Chemical with 6,589 lots traded - well ahead of the Euro-FT-SE which saw 3,357 *lots* change hands. Total turnover was 32,381.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs		17¾xd	-⅛	20⅞	15⅞	14,499	2.5
Allegheny & W	♥	618p	—	636p	399p	321.1	3.1
Amdahl		375p	—	591p	302½p	421.1	0.8
Amer Cyanamid		35¼	-⅛	38⅝	31¼	3,178	2.9
Amer Express		20⅞xd	—	21⅝	14⅞	10,045	3.0
Amer T & T		41⅞xd	-⅛	42⅝	33⅛	55,699	2.0
Ameritech		52⅞	-⅞	54½	46	23,150	4.4
BankAmerica		29⅞xd	-⅛	38⅛	27⅛	10,306	3.0
Bankers NY		48⅝xd	-¼	51⅞	42⅝	3,902	4.0
Bell Atlantic		39	-⅛	39⅝	32¼	15,942	4.3
BellSouth		38½	-⅛	39⅞	32⅞	18,031	4.8
Bethlehem Steel	♥	12¼xd	+⅛	13¼	10	1,154	–
Bowater		1300pxd	-28	1662p	1293p	471.1	1.9
CPC		27½xd	-¼	34⅝	26	4,185	2.9
California Engy		1432p	—	1470p	1098p	260.7	–
Chase Manhattan		21¼xd	-⅛	24½	17⅞	3,317	3.6
Chrysler		31xd	-⅛	31⅞	21¼	9,078	1.2
Citicorp		19¼xd	-⅛	20⅞	13⅞	7,219	–
Colgate-Palm		38¼xd	—	48⅝	35¼	8,107	2.0
Cont'l Bank		1582p	-65	1877p	1278p	1,698	2.4
Dana		35¾xd	—	35⅞	29⅞	1,841	2.8
Data General		660p	+9	851p	587p	182.1	–
Decora Inds	♥	138p	—	146p	109p	–	–
Dun & Brad		38⅞	-⅛	42⅝	37⅛	6,928	4.0
Eaton	h	29¼xc	-31⅛	31⅞	25⅞	2,028	2.4
Echlin		18⅛xd	-⅛	18⅞	15⅞	1,038	2.4
FPL		25⅛xd	-⅛	27⅝	23¼	4,864	6.2
Ford Motor		34¼xd	-¼	36½	28⅞	16,718	1.6
Gen Elect		63⅞xd	-⅛	65⅛	53⅞	54,071	2.5
General Host	♥	543p	—	723p	543p	–	4.1
Gillette		35⅞xd	-⅛	42⅝	31⅞	7,869	1.5
Hasbro		20⅞	—	20⅞	30⅞	1,819	0.7
Honeywell		22⅞xd	-⅛	24⅞	20⅞	3,263	2.4
Houston Inds		29	—	33¼	28¼	3,755	6.5
Ingersoll-Rand		22¼xd	-⅛	25	19⅞	2,378	1.9
Lockheed		43½	-⅛	44⅝	35⅛	2,899	3.1
Lowe's	h	2584p	+46	2584p	1573p	1,895	0.7
Malvy Technology		188½p	+4½	203p	154p	–	–
Merrill Lynch		53¼xd	-⅛	53⅞	37	5,472	1.4
Morgan (JP)		45xd	-⅛	49½	38¼	8,622	3.4
Morris (Philip)		32⅞xd	-⅛	52⅝	28⅞	29,852	5.1
NYNEX		63	-⅛	64½	52¼	12,186	4.9
Pall		11⅞	—	15	11	1,274	1.8
Pennzoil		41¼xd	-1⅛	44⅞	31⅞	1,701	4.5
Quaker Oats		60⅛xd	+⅛	50¼	39⅞	3,614	2.4
Questex		216p	-6	229p	164½p	22.7	–
Rockwell		22¼xd	-⅛	22⅞	18⅞	4,880	2.8
Rep NY		33¼xd	-⅛	37⅞	29⅞	1,768	2.0
Sears, Roebuck		35⅞xd	-½	37⅞	28⅞	12,689	2.8
Sthwestern Bell	h	25¼	-⅛	26¼	23⅛	15,143	3.8
Sun Co.		18⅛xd	-⅛	21⅛	14⅞	1,713	7.0
Tenneco		33⅞xd	+⅛	33⅞	25½	5,716	3.0
Texaco		42¼xd	-⅛	44¼	37⅞	10,932	4.8
Time Warner	h	25⅞xd	-⅛	29⅞	18⅞	9,638	0.7
Unitab	♥	499p	—	450p	358p	186.2	–
US West		30⅛	—	30⅞	24⅞	12,485	4.5
Varity		2095p	+16	2268p	1695p	633.6	–
WMX Technologies		22xd	-¼	27⅞	19⅞	10,757	1.7
Whirlpool		3751pxd	+44	3751p	2824p	2,622	2.0
Woolworth	♥	18⅛	-⅛	21½	18¼	2,393	3.9

CANADIANS

	Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbot Energy	♥	2p	—	2p	2p	–	–
Amer Barrick		1880p	+44	1880p	890½p	4,773	0.5
Bk Montreal	h	13½	-⅛	13⅞	11⅞	3,349	4.1
Bk Nova Scot		1312p	-7	1428p	1111p	2,724	4.3
BC Gas	♥	782p	—	847p	723p	–	3.8
BCE		22½	-⅛	25⅛	20⅝	6,891	5.9
Brascan	♥	627p	-18	721p	454p	817.1	8.7
Breakwater	♥	11p	—	18½p	10p	7.00	–
Can Imp Bk		1618p	-72	1688p	1228p	3,210	4.1
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING–AEROSPACE

ENGINEERING–GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MERCHANT BANKS

OIL & GAS - Cont.

PACKAGING, PAPER & PRINTING - Cont.

TELEPHONE NETWORKS

MINES - Cont.

Notes	Price	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's
Glencar Expl IE ‡‡	11		12	6	2.08	-
Greenwich Res	18½	...	22¼	5	14.4	-
Hemlo Gold CS	£6⅞	+¼	£8⅞	£3½	665.2	1.3
Ivernia West IE ‡‡	50	..	57	31	25.1	-
Kells Mins IE ‡‡	13		13	6	0.31	-
Kenmare	8½	+¼	13½	6	8.51	-
Melinga Res.	13½	-2	25½	13½	1.49	-
Navan Res IE	87	+1½	91	25	14.8	-
5pc Ln Notes	87	+1½	87	35	15.7	-
Oryx Gold	75½		75½	47	-	-
‡‡Ovoca Res IE	3½		3½	3½	0.24	-
RTZ	674xd	+1	709	607	6,962	3.9
Vizcaya	5¾#		5¾	2¼	3.08	-

METALS & METAL FORMING

MISCELLANEOUS

TEXTILES

PROPERTY

INVESTMENT COMPANIES

OTHER FINANCIAL

TRANSPORT

MEDIA

OTHER INDUSTRIALS

WATER

SOUTH AFRICANS

STORES

MOTORS

PLANTATIONS

MINES

PACKAGING, PAPER & PRINTING

OIL & GAS

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ)
- ● "Tap Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme

a Yield based on annualised dividend b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings v Not subject to ACT z Dividend yield includes a special payment E Auction basis F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1993. K Yield based on prospectus or other official estimates for 1992-93 L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1993-94 N Figures based on IIMR 'Headline Earnings' draft proposals. P Figures based on prospectus or other official estimates for 1994. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

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	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	5	166.1	167.5	186.8	-1.80	0.00
AIB Grofund Equity	5	205.3	208.3xd	220.4	—	0.93
AIB Grofund Euro	5	162.8	164.4	173.1	-0.90	0.00
AIB Grofund Eqt Balanced	3	100.9	103.6	108.8	—	1.41
AIB Grofund Gilt	3	78.51	78.53	83.86	-0.04	5.03
AIB Grofund Japan	5	169.8	171.4	180.4	+0.80	0.00

Dunedin Unit Tst Mngrs Ltd (1200)H
25, Ravelston Terrace, Edinburgh 031-315 2500

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
European Gwth	5	205.0	205.0	218.7	-0.9	1.11
New Asia	5	153.4	153.4	159.0	-1.7	0.61
Japan Growth	5	124.0	124.0	132.2	-0.8	0.00
Jap Smllr Co	5	482.0	482.0xd	513.0	+1.3	0.00
Nth Amer ▼	5	220.7	220.7	234.4	-3.5	1.11
Exempt	5	124.4	124.4	130.4	+0.1	3.20
UK Income & Growth	5	193.7	193.7	206.6	-0.2	4.01

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (▼) - 0001 to 1100 hours; ([illegible]) - 1101 to 1400 hours; ([illegible]) - 1401 to 1700 hours; ([illegible]) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS. 071-637 5377						
S & W American ●	5	269.3	269.7	285.4	+0.6	0.64
S & W Capital	5	120.0	120.0	128.7	-0.5	1.66
S & W Cash ●	0	101.22	101.22	101.22	+0.01	5.28
S & W European	5	111.7	111.7	118.2	-0.2	1.04
S & W Far Eastern	5	146.5	147.1	156.6	-2.95	0.00
S & W Growth	5	126.9	128.8	136.2	-0.7	1.10
S & W Income	5	114.3	115.4	122.1	+0.4	4.54
S & W Magnum	5	124.8	124.8	134.0	-0.6	1.56
S & W Spec Secs	5	318.5	325.4	344.3	-0.3	0.49
S & W Thoroughbred	5	148.6	148.6	157.4	-0.7	1.01
Sovereign Unit Tst Mngrs Ltd (1000)F						
12 Christchurch Rd, Bournemouth 0202 298422						
Cash	1	49.81	49.81	50.31	+0.01	8.3
Capital Finance	5½	56.62	56.83	60.61	-0.42	7.6
Ethical	5½	53.00	53.83	57.20	+0.10	3.9
European Growth	5½	58.02	58.43	62.32	+0.02	2.9
Income	5½	52.64	53.07	56.60	+0.05	5.5
Intl Growth	5½	80.02	80.59	85.96	+0.20	2.0
Managed	5½	70.63	71.37	76.12	+0.08	3.6
UK Growth	5½	86.76	87.36	81.18	+0.05	4.4
Standard Life Tst Mgmt Ltd (0730)H						
3 George St, Edinburgh EH2 2XZ 0800 393777						
Managed Acc	5¼	44.11	44.11	46.87	-0.3	1.64
UK Equity Gth Acc	5¼	59.18	60.25	64.02	—	1.46
UK Eq High Inc Inc	5¼	34.92	34.92	37.11	-0.1	5.85
UK Eq High Inc Acc	5¼	41.47	41.47	44.07	-0.1	5.85
UK Equity Gen Acc	5¼	54.06	56.06	59.57	-0.2	2.23
UK Equity Gen Inc	5¼	40.95	41.70	44.31	-0.1	2.23
UK Larger Cos Acc	F 7½	371.1	378.1	406.1	-1.0	3.76
UK Larger Cos Inc	F 7½	285.0	288.6	313.4	-0.8	3.76
Gilt & Fxd Int Inc	5¼	30.78	30.68	32.64	-0.1	6.40
Euro Larg Cos Acc	F 7½	273.0	277.7	301.4	-3.2	1.43
Nth American Acc	5¼	42.63	43.09	45.79	-0.5	0.80
Far East Acc	5¼	55.36	55.36	58.82	-1.3	0.21
European Acc	5¼	40.89	40.96	43.66	-0.2	1.16
State Street Unit Trust Mngmt Ltd (1400)F						
20 King Street, London SW1 6QW 071-344 7000						
Global A	6¼	[illegible]	3.659	3.858	+0.07	1.20
US Equities (a)	6¼	$2.079	2.079	2.206	+0.017	0.80
Far East Equities (a)	6¼	Y232.0	232.2	247.7	+0.7	—
Japan Equities (a)	6¼	Y236.7	241.4	258.4	+6.5	—
FT Europe (a)	6¼	111.2	111.2	118.1	-1.2	2.10
FT North American Inc	5¼	$1.725	1.725	1.829	+0.02	1.09
FT Japan (a)	6¼	Y234.8	236.3	250.0	+2.4	—

	Bid Price	Offer Price	+ or -	Yield Gross
Foreign & Colonial Unit Management Ltd				
Balanced Acc Jun 23	187.2	194.6	+2.1	3.30
Balanced Inc Jun 23	185.8	193.1	+2.1	3.50
Latin American Acc Jun 30	104.1	108.3	-1.1	1.62
Funds in Court*				
Capital May 27	567.10	581.30	—	3.88
Gross May 27	206.75	208.41	—	10.06
High-Yield May 27	344.30	347.04	—	7.40
* Restricted to monies under Court control				
Govett (John) Unit Mngmt Ltd				
Managed Exempt	109.90	119.76	-0.68	3.36
Henderson Unit Trust Management Ltd				
Pensions Mngd	82.33	83.8	-0.06	2.74
Henderson TR				
Ex European	1314.86	1392.90	-7.10	1.87
Ex Nth American	1380.32	1411.18	-26.98	0.72
Ex Pacific Basin	940.32	958.00	-7.74	0.82
Ex Smaller Cos Inc	1949.91	2062.77	-2.48	2.53
Ex Smaller Cos Acc	2062.90	2108.58	-2.63	2.63
INVESCO Asset Management Ltd				
Exempt Funds				
Asia & Australasia	£3.1310	3.3004	—	—
Far Eastern	£2.1980	2.3261	—	—
Intl Mngd P'nsn	£1.6280	1.6260	—	—
Mngd Pens (Acc)	£0.8687	0.8041	—	—
North American	£2.4576	2.5006	—	—
Smaller Companies	£1.4440	1.4885	—	—
UK Core	£1.0380	1.0408	—	—
Lazard Brothers & Co. Ltd				
Property Mar 4	£1900.0	2100.0	—	7.00
Inc Gth Prp Feb 3	£1200.0	1400.0	—	5.50
Lazard Investors Ltd ‡				
Exempt Funds				
Small Co's Jun 30	6236.6	6431.2	+21.80	2.80
European Jun 30	6705.2	711.6	-2.90	1.65
American Jun 30	6432.1	438.0	-1.10	1.27
Japan Jun 30	2570.1	582.9	+13.2	0.02
Pacific Jun 30	2701.2	195	-4.50	0.88
Midland Gth May 28	2130.80	142.80	—	3.7

Local Authorities Mutual Invest. Tst.*

Albany Life Assurance Co Ltd - Contd.

Allied Dunbar Assurance Plc

Citibank Life

Family Assurance Society

Homeowners Friendly Society

M & G Life and M & G Pensions - Contd.

Norwich Union Life Insurance Soc. - Contd.

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Provident Life Assoc Ltd				
Provident Way, Basingstoke RG21 2SZ 0256 470707				
Gold Range (Pension)				
Discretionary Fund		188.0	-0.9	-
Provident Mutual Life Assc. Assn.				
6 Hills Way Stevenage Herts SG1 2ST 0438 732080				
Managed Ord	419.9	442.0	-0.4	-
Managed Init	296.8	312.2	-0.4	-
Equity Ord	628.6	661.7	+0.2	-
Equity Init	444.1	467.6	+0.1	-
Index Linked Gilt Ord	195.4	205.7	-0.1	-
Index Linked Gilt Init	144.2	151.8	-0.1	-
Overseas Equity Ord	336.7	354.4	-2.1	-
Overseas Equity Init	237.9	250.4	-1.5	-
Property Ord	228.8	240.8	+0.9	-
Property Init	161.6	170.1	+0.6	-
Fixed Interest Ord	263.9	277.8	-0.5	-
Fixed Interest Init	188.4	198.2	-0.4	-
Deposit Ord	196.9	207.3	—	-
Deposit Init	139.1	146.4	—	-
Pension Funds				
Managed Ord	564.8	594.0	-0.8	-
Managed Init	391.9	412.5	-0.6	-
Equity Ord	858.9	904.1	+0.4	-
Equity Init	608.5	638.7	+0.3	-
Pen Ind Lkd Gilt Ord	222.8	234.2	-0.1	-
Pen Ind Lkd Gilt Init	164.2	172.8	-0.1	-
Overseas Equity Ord	391.4	412.0	-2.6	-
Overseas Equity Init	276.6	291.1	-1.8	-
Property Ord	292.7	308.1	+1.5	-
Property Init	206.8	217.7	+1.1	-
Fixed Interest Ord	343.1	361.4	-0.7	-
Fixed Interest Init	242.8	255.9	-0.5	-
Deposit Ord	288.4	303.6	+0.1	-
Deposit Init	203.7	214.4	—	-
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 071-405 9222				
Profund				
Managed Jun 30	304.3	317.0	-0.8	-
Prudential Corporate Pension Funds				
7 Stephen St, London W1P 2AP 0734 484852				
Prudential Managed Funds				
Discretionary Jun 23	£233.29	240.74	+1.24	-
Equity Jun 23	£261.69	270.86	+2.27	-
International Jun 23	£39.01	40.11	-0.15	-
Intl Bond Jun 23	£20.43	20.70	+0.19	-
Fixed Int Jun 23	£124.63	128.11	+1.54	-
Index Linked Jun 23	£91.18	92.27	+0.49	-

	Bid Price	Offer Price	+ or -	Yield Gross
Scottish Amicable				
150 St Vincent St, Glasgow 041-248 2323				
Life Funds (First Series)				
Managed	409.1	430.7	+1.00	-
Equity	512.5	539.5	+1.80	-
Property	242.2	255.0	—	-
International	401.3	422.5	+1.80	-
Japanese	116.0	122.2	+1.70	-
Asia Pacific	140.4	147.8	-0.10	-
European	107.2	112.9	-0.70	-
American	144.4	152.1	—	-
Fixed Interest	345.6	363.7	+1.80	-
Index-Linked Gilt	187.6	197.5	+0.90	-
Cash	220.4	232.0	—	-
Life Funds (Second Series)				
Managed	113.9	119.9	+0.30	-
Equity	110.2	116.1	+0.40	-
Property	101.8	107.2	—	-
International	124.1	130.7	+0.60	-
Japanese	116.3	122.5	+1.70	-
Asia Pacific	137.7	145.0	-0.10	-
European	106.4	112.0	-0.70	-
American	141.2	148.7	—	-
Fixed Interest	129.9	136.8	+0.60	-
Index-Linked Gilt	119.9	126.3	+0.50	-
Cash	109.3	115.1	—	-
Pension Funds				
Building Society	173.7	182.9	—	-
Managed (Init)	227.2	240.7	+0.80	-
Managed (Acc)	471.0	495.8	+1.70	-
Equity (Init)	267.7	281.8	+1.10	-
Equity (Acc)	531.5	559.5	+2.30	-
Property (Init)	146.9	154.7	-0.10	-
Property (Acc)	291.9	307.3	—	-
International (Init)	238.2	250.8	+2.00	-
International (Acc)	473.1	498.0	+4.00	-
Fixed Interest (Init)	231.2	243.4	+1.00	-
Fixed Interest (Acc)	459.2	483.4	+2.20	-
Cash (Init)	153.9	162.1	-0.10	-
Cash (Acc)	305.9	322.0	—	-
Others				
Capital Guarantee Bond	100.5	105.8	+0.40	-
Scottish Equitable Life Assce. Soc.				
28 St Andrew Sq, Edinburgh 031-556 9101				
Mixed	227.2	239.2	—	-
UK Equity	216.9	228.3	+0.8	-
International	225.9	237.8	-0.5	-
American	237.1	249.6	-1.4	-
European	210.2	221.3	-0.1	-
Japan	243.4	256.2	+1.4	-
Pacific	313.3	329.8	-0.9	-
Technology	303.6	319.6	-0.3	-

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

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	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Prudential Fund Managers (Jersey) Ltd						
PO Box 103, St Helier, Jersey 0534 70009						
Prudential Currency Fd (Formerly Vanbrugh Currency Fd)						
Income (A & B)	5	212.0	212.0	222.6	—	3.21
Growth (C & D)	5	319.3	319.3	335.3	—	—
Royal Trust Jsy Fd Mngt Ltd (1400)F						
PO Box 428, St Helier, Jersey 0534 27441						
Govt Secs Fd	4	55.73	55.73xd	58.02	+0.03	7.58
Standard Bank Fund Mgmt (Jersey) Ltd						
PO Box 583, St Helier, Jersey CI 0534 67557						
International Bond	5	$–	16.09	17.02	+0.03	4.92
Sterling Bond	3	£–	9.842xd	10.18	—	8.48
Sterling Cap		£–	42.58	42.60	—	5.30
TSB Trust Funds (CI)						
PO Box 538, St Helier, Jersey 0534 503002						
TSB Offshore Investment Fund Ltd						
Stg Deposit Class	3	102.52	102.52	105.89	+0.01	5.00
Gilt & Fixed Interest	3	130.41	130.41	134.62	-0.17	7.42
Stg Cap & Gilt Etged.	5	81.84	81.84	84.88	-0.08	3.51
International Bond	5	137.08	137.08	144.11	-0.50	4.92
UK Equity	5	255.28	262.54	277.41	+6.45	1.25
International Equity	5	178.66	181.41	190.95	-1.82	0.35
Far Eastern	5	163.98	168.93	177.82	-0.48	0.00
European	5	129.44	127.06	133.75	-0.19	0.00
Pan American	5	365.19	369.06	388.51	-4.64	0.00
TSB Gilt Fund Ltd						
Quarterly Share	3	108.04	108.04	111.57	-0.15	7.53
Monthly Share	3	105.90	105.90	109.36	-0.18	7.68

JERSEY (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
Barclays Intl Funds				
Asian Selection Funds				
China	$8.465	8.942	—	0.0
Hong Kong	$29.934	31.510	—	0.4
Indonesia	$10.341	10.885	—	0.0
Japan	$9.595	10.100	—	0.0

	Init Chrge		Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Bank Von Ernst & Cie AG - Contd.							
International Sub-Funds							
Global Equity		$–	10.12		—	+0.04	—
Global Bond		$–	11.70		—	+0.07	—
Global Bond Div		$–	10.29		—	+0.04	—
Global Managed		$–	9.80		—	+0.03	—
Banque Scandinave a Luxembourg SA							
16 Boulevard Royal, L-2449, Luxembourg							
Scandifonds							
Scandifond Equity Fund							
Equity Int. Acc	5	$–	16.25	17.07		+0.02	3.17
Equity Global	5	$–	1.45	1.53		—	—
Equity Natural Res.	5	$–	1.1	1.16		+0.01	—
Equity Japan Acc	5	Y–	108.13	113.93		-0.22	—
Equity UK	5	£–	1.39	1.47		-0.01	—
Equity Nordic	5	$–	1.23	1.3		+0.01	—
Equity North America	5	$–	1.96	2.06		—	—
Equity Mediterranean	5	$–	0.88	0.93		+0.01	—
Equity Cont. Europe	5	$–	1.44	1.52		+0.01	—
Scandifond Far East							
Far East Global	5	$–	3.45	3.63		+0.01	—
Scandifond Bond Fund							
Bond Int. Acc	1	$–	12.31	12.44		+0.02	6.64
Europe Bond Acc	1	Ecu–	1.56	1.57		+0.02	7.15
Bond DEM Acc	1	DM–	1.23	1.25		—	6.64
Bond USD Acc	1	$–	1.41	1.44		—	5.79
Bond Swedish Acc	1	SK–	16.41	16.66		+0.05	10.9
Scandifond International Slow							
Intl Emerging Markets	5	$–	1.05	1.11		—	—
Barclays Diversified Portfolio							
14 rue Aldringen L-1118 352 4799 2939							
IPB Deutschmark Reserve		DM–	31.61	—		—	—
IPB Sterling Reserve		£–	10.32	—		—	—
IPB Swiss Franc Reserve		SFr–	30.60	—		—	—
IPB US Dollar Reserve		$–	20.32	—		—	—
IPB European Bond		Ecu–	17.66	—		—	—
IPB North American Bond		$–	51.23	—		—	—
IPB Espana		Pta–	3594	—		—	—
IPB Europe		Ecu–	18.04	—		—	—
IPB Japan		$–	27.18	—		—	—
IPB Pacific Rim		$–	22.47	—		—	—
IPB United Kingdom		£–	11.17	—		—	—
IPB United States		$–	21.07	—		—	—

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar strengthens

MOUNTING speculation about further cuts in European interest rates strengthened the dollar yesterday, in spite of a figures showing a slight fall in US factory orders, *writes Gillian Tett.*

After trading around a narrow band at the DM1.69 in the morning, the dollar broke through the DM1.70 level in the afternoon, closing at DM1.7045, nearly a ¼ pfennig up on the previous day's close.

The dollar also gained against the French franc and sterling, closing at FFr5.7450 and $1.4935.

The dollar's rise was partly prompted by the release of data showing that unemployment in France rose by 29,000 or 0.9 per cent in May.

Coupled with a spate of gloomy economic indicators from Spain, showing a 7.6 per cent drop in industrial production in April and 1.1 per cent fall in GDP during the first quarter of the year, the figures strengthened market expectations of a new round of interest rate cuts - speculation that grew after US President Bill Clinton called on the Bundesbank to reduce its interest rates at its council meeting today.

On the back of the uncertainty about German rate cuts, sterling surged to its highest point against the D-Mark since its devaluation last autumn.

During heavy trading it peaked around DM2.555 during the afternoon, before finally falling back to close at DM2.545, unchanged on the previous day.

Although this leaves sterling around 1¼ pfennigs up on the beginning of the month, the market yesterday remained dubious that sterling would be able to rise further and break though the DM2.60 barrier.

Mr Steve Hannah, chief economist at IBJ International in London believes that the bullish tone that accompanied sterling's rapid rise at the beginning of the week is gradually receding, as the market begins to recognise the uneven pace of the UK recovery.

"All this seems a bit premature. The sentiment is right, but the market seems to be reacting too fast," said Mr Hannah, who predicts that if sterling does rise to the DM2.60 level, the pressure from British exporters will be for further UK rate cuts.

Nevertheless, as Mr Brian Martin, senior economist at Citibank points out, sterling is expected to continue to make modest gains for some time.

"Over time the short term interest rate gap will move in England's favour and that will help underpin sterling," Mr Martin said.

Meanwhile the yen continued to rally against the dollar, in spite of rumours in Tokyo that the Bank of Japan was preparing for a rate cut next week. After strengthening in the European markets to Y106.8 per dollar from a previous day's close of Y107.0 it opened in New York at Y105.20, close to the post war low of Y104.80.

OTHER CURRENCIES

Jun 30	£	$
Korea(Sth)	1203.90 - 1223.30	800.50 - 806.90
Kuwait	0.45420 - 0.45500	0.30100 - 0.30150
Luxembourg	52.20 - 52.30	34.95 - 35.05
Malaysia	3.8820 - 3.8880	2.5675 - 2.5695
Mexico	4.7020 - 4.7050	3.1150 - 3.1170
N.Zealand	2.8120 - 2.8160	1.8630 - 1.8655
Saudi Ar	5.6805 - 5.5720	3.7495 - 3.7505
Singapore	2.4485 - 2.4515	1.6205 - 1.6215
S.Af (Cm)	5.0210 - 5.0320	3.3250 - 3.3270
S.Af (Fn)	7.0810 - 7.1060	4.6975 - 4.7075
Taiwan	39.85 - 40.00	26.40 - 26.50
U.A.E.	5.5420 - 5.5550	3.6715 - 3.6735

EXCHANGE CROSS RATES

	£	$	DM	YEN	F Fr.	S Fr.	N Fl.
£	1	1.493	2.546	159.5	8.580	2.255	2.85[illegible]
$	0.670	1	1.705	106.8	5.747	1.510	1.91[illegible]
DM	0.393	0.587	1	62.67	3.371	0.886	1.12[illegible]
YEN	6.270	9.361	15.96	1000.	53.79	14.14	17.9[illegible]
F Fr.	1.166	1.740	2.966	185.9	10.	2.628	3.32[illegible]
S Fr.	0.443	0.662	1.129	70.73	3.805	1	1.26[illegible]
N Fl.	0.350	0.523	0.891	55.87	3.005	0.790	1
Lira	0.433	0.647	1.103	69.14	3.719	0.977	1.23[illegible]
C $	0.522	0.779	1.328	83.25	4.478	1.177	1.49[illegible]
B Fr.	1.914	2.857	4.871	305.3	16.42	4.316	5.46[illegible]
Pta	0.515	0.768	1.310	82.09	4.416	1.161	1.46[illegible]
Ecu	0.769	1.148	1.958	122.7	6.600	1.735	2.19[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Pesetas per 100.

MONEY MARKETS

Repo rate cut

THE BUNDESBANK made a token gesture towards interest rate reductions when it shaved 0.01 per cent off its minimum security repurchase agreements, taking it down from 7.59 to 7.58 per cent, *writes Gillian Tett.*

But the small scale of the reduction left the markets deeply uncertain about the likelihood of further interest rate cuts at today's meeting of the central bank's policy-making council.

The deep recession in Germany, coupled with recent government spending cuts, left some traders hoping that the Bundesbank might be prodded into further action today, particularly in light of President Clinton's call for a cut in German rates yesterday.

However, concern about German inflation left the majority sceptical that the Bundesbank would relax its policy.

UK clearing bank base lending rate
6 per cent
from January 26, 1993

"Everybody knows that interest rates have got to come down within the next month. But we would be surprised to see any real cut in the Lombard or discount rate this week," commented one dealer.

On the back of this speculation, the trading in D-Mark futures remained stuck within a very narrow band. After a day of heavy dealing, the September contract closed at 93.24, up 2 basis points on the day. At this level dealers are pricing three month money at 6.76 per cent.

Trading in sterling futures in London markets was also lively. Speculation that sterling's growing strength against the D-Mark might increase the pressure for an interest rate cut later this year helped to push sterling futures slightly higher across the board.

The September contract closed at 94.23, eight basis points up on the day. The December contract rose five basis points, closing at 94.38.

Conditions in the London money markets were "typical of the end of the month", according to one dealer, with most movements dominated by technical factors.

Temporarily tight money conditions pushed the overnight rate towards 8 per cent during the morning. However, by the end of the day overnight rates had fallen back to 6¼ per cent, with little change on three month rates. After forecasting a shortage of £1.75bn, the Bank of England successfully removed most of this in a round of late assistance.

FINANCIAL FUTURES AND OPTIONS

Strike	Calls August	Calls September	Calls December	Puts August	Puts September	Puts December
117	-	2.86	2.64	-	0.11	0.56
118	-	-	-	0.10	0.21	-
119	1.04	1.26	1.44	0.26	0.44	-
120	0.44	0.69	0.91	-	0.89	-
121	0.15	0.32	0.60	-	-	-
Open Int	6,161	142,381	37,551	11,457	173,620	28,664

Estimated volume 58,435 † Total Open Interest 430,884
† All Yield & Open Interest figures are for the previous day.

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	Unibank plc	6
Bank of Scotland	6	Heritable & Gen Inv Bk	6	●United Bk of Kuwait	6
Barclays Bank	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Western Trust	6
●Brown Shipley	6	Hongkong & Shanghai	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Julian Hodge Bank	6	Wimbledon & Sth West	7
Citibank NA	6	●Leopold Joseph & Sons	6	Yorkshire Bank	6
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

CANADA

TORONTO

4 pm close June 30

INDICES

	Jun 23	Jun 16	Jun 9	year ago (approx.)
S & P Industrial div. yield	2.55	2.51	2.51	2.72
S & P Indl. P/E ratio	25.04	25.47	25.42	28.03

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
YPF Sociedad	4,348,800	21⅞	—
Compaq	3,352,700	49⅞	- 4
EK Chor Motor	3,011,000	24¾	—
Adv Micro	2,423,200	24	+ 1⅞
Humana	2,321,300	11	+ ⅛
Citicorp	2,040,600	29¾	- ¼
Gen Motors	2,029,100	44	- ⅛
Mhn Telecom	1,917,300	27¼	- 1⅝
Sunshine Min	1,825,600	1⅞	—
Wal-Mart	1,750,900	26⅞	- ⅞

TRADING ACTIVITY

† Volume (Millions)	June 29	June 28	June 25
New York SE	272.968	240.435	205.828
Amex	19.057	14.578	17.255
NASDAQ	251.046	227.013	219.380
NYSE			
Issues Traded	2,547	2,548	2,515
Rises	958	1,378	1,099
Falls	971	583	766
Unchanged	618	587	650
New Highs	101	122	68
New Lows	31	27	29

CANADA TORONTO

	June 29	June 28	June 25	June 24	1993 HIGH	1993 LOW
Metals & Minerals	2944.78	2933.46	2947.59	2979.04	3000.97 (21/6)	2743.31 (21/1)
Composite	3963.23	3985.50	3991.77	3979.58	3991.77 (25/6)	3275.80 (21/1)
MONTREAL Portfolio	1892.07	1897.45	1939.10	(c)	1939.10 (25/6)	1720.87 (21/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

WORLD					
M.S. Capital Intl.(1/1/70) $	568.9*	569.6	567.5	562.2	576.30 (3/6)
Euro Top-100 (26/6/90)	1012.86	1010.28	1010.09	1001.35	1012.86 (30/6)

**Saturday June 26: Taiwan Weighted Price; 4143.29, Korea Comp Ex. 749.27.
♥ Subject to official recalculation.

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100 … 1,000, JSE Gold – 255.7, JSE 20 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed …

TOKYO - Most Active Stocks

Wednesday, June 30, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	5.5m	368	-3	Hitachi	2.7m	800	-3
Sumitomo Mtl Min	5.4m	1,020	+32	Hitachi Zosen	2.8m	560	-14
Stanley Elec	4.9m	795	-15	Fujitsu	2.6m	710	-20
Nishimatsu Const.	4.5m	990	-20	Mitsubishi Hvy	2.4m	651	+1
Citizen Watch	3.7m	960	-40	Ohbayashi	2.4m	643	-2

4 pm close June 30

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14⅝	11½	AAR Corp	0.48	3.6	25	66	13⅝	13⅜	13½	
29½	20	A L Labs A	0.16	0.7	47	324	27¾	26¾	27⅛	+⅛
63⅞	54⅝	AMP Inc	1.80	2.8	22	4669	61⅞	60⅞	61¼	-⅝
72¾	55½	AMR			9	6482	63⅝	62½	63¼	+1⅛
2¾	1⅛	ARX			14	352	u2¾	2⅛	2¾	+⅛
51½	29⅞	ASA	2.00	4.2	91	674	48½	47½	47⅞	-¼
30¾	22⅝	Abbott Lab	0.68	2.7	16	7626	26⅜	25⅝	25⅝	-⅛
12⅝	10¼	Abitibi Pr	0.60	4.8	4	29	10⅝	10½	10½	-¼
14⅛	8¾	Acclaim			212	233	12¾	12½	12¾	+⅛
32	25½	ACE Ltd	0.40	1.3		108	29¾	29	29¾	+¾
11¾	10¾	ACM Gvt In	0.96	8.2		206	u11¾	11½	11¾	+¼
10	9⅛	ACM GvOpp	0.72	7.3		175	9⅞	9¾	9⅞	+⅛
9⅝	8¾	ACM Gvt Sp x	0.80	8.6		248	9⅝	9¼	9¼	-⅛
11⅜	10½	ACM Gvt Se x	0.96	8.7		40	11⅛	11	11	
11	9⅝	ACM Man	1.08	9.8		129	u11	10⅞	11	+⅛
9⅞	8⅝	ACM Managd	0.72	7.8		389	9¼	9	9¼	+⅛
11⅛	7¾	Acme Cleve	0.40	3.6	14	216	u11¼	11	11¼	+¼
9¼	6½	Acme Elect			283	26	8⅝	8⅜	8½	
24¾	18⅜	Acordia	0.44	2.0	13	218	21⅞	21½	21¾	
16	10⅜	Acuson			12	836	11⅞	11½	11⅝	+¼
22¼	19⅝	Adams Expr	0.48	2.4	1	24	20⅝	20¼	20¼	-⅛
66	45½	Ad Micro	3.00	5.6		592	54	53¼	53⅞	+⅜
32¾	17⅝	Ad Micro P	3.00	12.4	10	10545	24¼	23¾	24⅛	+⅛
7¾	5½	Advest Grp	0.16	2.8	9	78	5⅞	5¾	5¾	
24¾	19	Advo Inc	0.08	0.4	21	614	20¼	19¾	19¾	-⅜
49⅜	41⅛	Aegon ADR	2.95	6.8	8	80	43½	43⅜	43½	-¼
55⅞	43⅛	Aetna Lf	2.76	5.0	141	3774	u56	55¼	55⅜	-¼
14½	11½	Affil A	0.26	1.9	31	3443	13⅞	13¾	13¾	
32¼	28⅛	Aflac	0.40	1.4	15	673	28⅞	28⅜	28⅜	-⅛
22⅛	16¼	Ahmanson	0.88	5.1	20	977	17⅝	17⅜	17⅜	-¼

Continued on next page

4 pm close June 30

NYSE COMPOSITE PRICES

Continued from previous page

[illegible]

Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Price	Chng Prev. Close
Wolverine x	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Woolworth	1.16	4.3	13	2238	27⅝	27	27	-⅝
World Wide	0.04	0.3		9	13¼	13⅛	13¼	+⅛
Worldcorp			1	1336	5⅞	5⅝	5⅞	+⅜
Wrigley	0.40	1.2	25	1210	33½	32¾	33⅛	-¾
Wyle Labor	0.28	1.9	9	423	15	14¾	14⅞	
Wynns Int	0.60	2.0	14	56	29⅝	29¼	29⅝	+⅜

- X - Y - Z -

1993 High	1993 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Price	Chng Prev. Close
[illegible]	71½	Xerox	3.00	3.8	33	3159	80½	79⅛	79⅞	-⅝
[illegible]	51½	Xerox4.125	4.12	7.7		5	53½	53½	53½	
[illegible]	31¼	Xtra Corp	0.48	1.1	18	1733	42¾	39⅞	42¾	+2⅞
[illegible]	19⅜	Yankee Egy	1.16	4.9	14	110	23⅝	23½	23½	-⅛
[illegible]	¾	Zapata			58	364	1⅛	1⅛	1⅛	
[illegible]	5⅞	ZenithElec			2	3830	7⅞	7⅜	7⅜	-⅜
[illegible]	19⅝	Zeolin Ngs	1.00	4.2	20	258	24	23⅞	23⅞	-⅛
[illegible]	6½	Zenix Inc	0.82	10.9		420	7⅝	7½	7½	-⅛
[illegible]	12¾	Zero Corp	0.40	2.7	19	412	14¾	14⅝	14¾	+⅜
[illegible]	31⅜	Zurn Ind	0.88	2.8	14	519	32¼	31⅝	32	
[illegible]	12⅝	Zweig Fund	1.12	8.5		214	13⅛	12⅞	13⅛	+¼
[illegible]	9⅞	Zweig Totl	0.98	9.1		1029	10½	10⅜	10½	+⅛

Price data supplied by Telekurs

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.
a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close June 30

[illegible]

NASDAQ NATIONAL MARKET

4 pm close June 30

[illegible]

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Datascope		27	222	15¼	14¾	15¼	+½
DauphinDp	0.80	12	275	25¼	24½	24½	
Deb Shops	0.20	17	83	6¼	d5¾	6	+¼
Dekalb En	0.32	6	112	16¾	15¾	16¼	-½
Dekalb Gs	0.80	14	16	28¾	27½	27½	
Delchamps	0.44	11	70	20¾	20¼	20¼	-½
Dell Comp		82	2229	19⅛	17⅞	18⅝	-⅝
DeltaGSm		25	1259	20½	20	20⅜	-⅛
Dep Gty	0.86	11	384	29¾	29	29¾	+¾
Devcon	0.20	10	4	8	7¼	7¼	
DH Tech		12	109	13¾	13	13¾	+½
Dibrell B	0.72	12	1793	31	30	30	-½
Dig Intl		23	769	22½	21¾	22½	+¼
Dig Micro		4	1899	9¼	8¼	8¾	
Dig Sound		23	2862	1⅞	1½	1⅞	+¼
Dig Syst		32	83	4½	d4	4½	+¼
Dionex Cp		18	855	36¼	35½	36¼	+½
Dixie Ym	0.20	15	2322	11¼	d10½	11	
DNA Plant		5	70	5½	5¼	5½	
Dollar Gn	0.20	25	155	28¼	27¾	28¼	
Dom Bkshs	0.44	55	961	u27¼	26⅞	27	
Dorch Htn x	0.60	48	19	u16¼	15½	16⅛	+⅝
DractEngy		20	463	21¼	20½	21	-¼
DresBarn		15	1056	12⅝	12⅛	12⅜	
Drey GD x	0.24	26	1947	28½	27½	28½	+¼
Drug Empo	0.08	35	98	7	6¾	7	+¼
DS Bancor	1.09	8	144	15¼	14½	14¾	+¼
Dunron	0.60	22	902	22¼	21¾	21¾	-¼
Durr Fill	0.30	24	8	u33⅛	32¾	32¾	
DynastyCl		3	418	1⅜	1⅛	1¼	
Dynatech		14	190	27	25½	26¼	-¼

- E -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Eagle Fd		9	21	7¼	6¾	6⅞	+⅛

[illegible]

- J -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
J&J Snack		29	255	17	16⅝	16⅝	
Jason Inc	0.25	27	80	u10	9¼	10	+½
JLG Ind	0.25	101	25	15½	14¾	15¼	
Johnson W		24	174	20½	19¾	20¾	
Jones Intl		4	484	12	11¼	11¼	-¼
Jones Med	0.08	27	731	u11⅞	11¼	11⅝	+¼
Joslyn Cp	1.16	13	46	u28¼	27½	28¼	+¾
JSB Fin	0.56	12	477	24¾	24⅝	24¾	+¼
Juno Ltg	0.24	18	1225	16½	15½	16¼	+½
Justin x	0.16	16	1402	18¼	17½	17½	-½

- K -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
K Swiss		15	48	23	22½	22¾	+¼
Kaman Cp	0.44	11	35	10¾	10⅜	10¾	+⅛
Karcher C x	0.08	23	259	7⅛	7	7⅛	
Kaydon Cp	0.36	16	652	27	26¼	26¾	
KelleyOil		370	3986	23¼	21¾	22¼	-1
Kelly Sv	0.64	24	856	26¼	25¼	25½	-¾
KenCentrl	0.44	1	1187	3¾	3⅝	3⅝	
Kentucky	0.11	6	82	8½	8	8	
Kimball x	0.84	18	31	29½	29	29¼	+¼
Kirschner		100	4	8	7½	8	+½
KLA Instr		28	1203	17¾	17	17¼	-½
Knowledge		4	1435	9¾	8¾	9¼	-½
Komag Inc		21	3163	17½	16½	17	+¼
Kulicke S		33	1168	21⅛	20⅞	21	+⅜

- L -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
LDDS A		875	2707	35	34	35	+¼
La Petite		17	6	u9¾	9¼	9¼	-¼
Ladd Furn	0.12	33	3247	9¾	d8¾	9	-⅝

[illegible]

AMERICA

Dow flat as equities await NAPM data

Wall Street

US share prices were little changed yesterday as the financial markets prepared for tomorrow's all-important employment figures, writes Patrick Harverson in New York.

At 1 pm, the Dow Jones Industrial Average was down 1.39 at 3,517.46. The more broadly based Standard & Poor's 500 was 0.10 lower at 450.57, while the Amex composite was up 0.58 at 434.10, and the Nasdaq composite up 3.29 at 704.46. Trading volume on the NYSE was 150m shares by 1pm.

After Tuesday's string of bad economic reports, investors and dealers were reluctant yesterday to push prices higher. The day's economic news – a slight rise in the Chicago purchasing managers' index of local economic activity and a 1.4 per cent decline in May factory orders – was mixed, and had little impact upon a market which remains deeply concerned about the erratic progress of the economy.

Many participants chose to stay on the sidelines, awaiting today's National Association of Purchasing Management's index, which should give a reading of nationwide business activity, and, more importantly, tomorrow's June employment report. Analysts are expecting the report to show a rise of between 100,000 and 150,000 in non-farm payrolls, which would be consistent with a below-par economic recovery.

American Express firmed $¼ to $31¾ as investors seemed to welcome management changes instigated by the travel and financial services group's recently appointed chief executive, Mr Harvey Golub. Analysts said that the changes reinforced Mr Golub's hold on the company.

Quantum Chemical soared $6⅝ to $19⅞ on news that the UK group, Hanson, is to buy the company for $3.2bn in a stock swap involving Hanson's American Depositary Shares. The news boosted the price of Hanson's ADS by $⅛ to $17⅞ in volume of 2m shares.

Gillette rose $⅝ to $54⅝ after it launched a new version of its hugely successful "Sensor" razor.

Telmex, the big Mexican telecommunications group, dropped $⅝ to $47⅝ on fears that the North American Free Trade Agreement between the US, Canada and Mexico may have been dealt a serious blow by the ruling of a US district judge that Nafta violates the National Environment Policy Act.

Enron fell $2⅝ to $66⅞ after the company agreed to contribute $250m over three years to a joint energy investment venture with the big Californian public pension fund, Calpers.

CompUSA fell $3⅞ to $29⅝ following a warning from the technology retailer that fourth-quarter net income would come in at the low end of market expectations.

Canada

TORONTO remained weak at midday as investors took profits in the wake of last week's rally. The TSE-300 index was 12.49 lower at 3,950.74 by mid-session in turnover of 39.8m shares valued at C$437.5m.

Northern Telecom remained a key feature, losing a further C$1 to C$34 in volume of 1.75m shares, after announcing a number of executive changes. *The stock has fallen a total of C$13⅝ in three trading days.*

SOUTH AFRICA

GOLD shares made steady gains but lacked the major buying support seen recently as investors waited for bullion to break the $380 an ounce barrier. The gold index rose 34 to 1,910, industrials 4 to 4,696 *and the overall 24 to 4,078.*

EUROPE

Frankfurt gives up ground on position-squaring

THERE was much discussion, and not a little optimism about German interest rate prospects, although Frankfurt itself was not obviously bullish, *writes Our Markets Staff.*

FRANKFURT squared its positions at the end of the second quarter and ahead of today's Bundesbank meeting. The DAX index fell 10.70 to 1,697.63, cyclicals leading the way down, as turnover fell from DM7bn to DM6.6bn.

Yesterday's trend was technical, and a note from Merck Finck in Düsseldorf bore this out. The second quarter's individual leaders were all cyclicals, Volkswagen coming top again with three and six-month gains of 18.5, and 49.7 per cent respectively. The losers were all banks, Bayernverein, Bayernhypo and Dresdner shedding 7.8, 6.3 and 5.9 per cent.

Volkswagen managed its gains in spite of a DM7.70 fall to DM362.50 after its Audi subsidiary announced a first-half loss and a 29 per cent decline in sales. MAN and Daimler followed suit in the automotive sector with falls of DM5 to DM281.80, and DM7.90 to DM613.90. The banking sector was *only slightly lower on the day.*

PARIS eased slightly on the expiry of options and futures, the CAC-40 index losing 5.63 to 1,971.87, as turnover rose to FFr5bn.

Kleinwort Benson, in its latest monthly research paper on France, forecast that fresh interest rate cuts will both sustain and then buoy up the equity market. "Lower rates might add three points to the market's p/e ratio," it said: company profits are more resilient than they may appear; and a change in the structure of domestic savings will release funds into the market".

St Gobain, a cyclical used as an economic indicator, eased FFr5 to FFr508 as James Capel sharply downgraded its profit forecasts for 1993 and 1994.

Eridania Beghin-Say, a component of the Italian debt-laden Ferruzzi group, denied comment that it might be sold, but the shares nevertheless gained FFr60 or 8.3 per cent to FFr779.

AMSTERDAM saw strength in Philips, which closed 90 cents higher at a 12-month high of Fl 30.10. Investors were encouraged by news that the group expected a Fl 1.1bn *extraordinary gain from the sale of its stake in Matsushita* Electronics.

The CBS Tendency index finished 0.3 ahead at 112.5.

ZURICH ended slightly firmer as dealers speculated *about the outcome of today's* Bundesbank meeting.

The discussion seemed to ignore a television interview by Mr Markus Lusser, president of the Swiss National Bank, which included the statement that high Swiss money supply growth limits the immediate latitude for another interest rate cut. *In* the banking sector, bearers in UBS, SFr5 higher at an *all-time* high of SFr1,100, topped the active list.

MILAN was buffetted by some disappointing news from Fiat at its annual meeting, continued nervousness over the outcome of talks on reaching a wage accord, and the possibility of delay in the passage of the crucial electoral reform bill through parliament.

The Comit index edged 0.74 higher at 536.15. Mr Michele Pacitti, an Italian analyst at NatWest Securities in London, commented that the likelihood of elections this autumn had been receding because of *opposition to certain aspects of the* reform bill. However, after the close of trading yesterday the bill was finally approved by the chamber of deputies.

Support for the market again came from the telecommunications sector with an indication that the government aims to accelerate its reorganisation. Stet rose L140 to L3,690 and Sip, likely to be merged with Italcable, gained L17 to L2,580.

The market had already discounted most of the *Fiat* data revealed at the annual meeting, *concentrating instead on* Mr Giovanni Agnelli's statement that losses would be offset by sales of "non-strategic assets". Most analysts believe this to refer to Rinascente, Toro and Cogefar. Fiat shares, which had advanced L158 to L6,490 at the fix, slipped back to L6,350 on the kerb.

MADRID was convinced that the Bundesbank would cut rates said one trader, as the general index closed 1.80 higher at 259.84. Banks were the most obvious beneficiaries with Argentaria up Pta115 to Pta4,725, and Santander Pta140 better at Pta5,800.

BRUSSELS saw the Bel-20 index close at an all-time high, 10.48 higher at 1,279.53, pushed up by hopes of a German rate cut and a climb in Petrofina *after the oil company's shares* breached resistance at BFr9,000.

Petrofina jumped by BFr340, or 3.8 per cent to BFr9,200, up by more than 8 per cent since last Friday. One trader linked the gains to a plan for the upgrading of the Ekofisk North Sea field, due to be unveiled today.

VIENNA drifted lower late in the day, the ATX index falling 6.29 to 851.7 with dips in two recently strong stocks, OMV and Creditanstalt preferred.

OMV fell Sch16 to Sch711 after the nationalised industries' *minister, Mr Viktor Klima,* said that he would want the government to retain a veto on key decisions even after the company is fully privatised. Creditanstalt preferred lost Sch14 to Sch596.

ISTANBUL's market index fell 330.9, or 2.9 per cent to 10,778.6 on heavy selling amid reports of political rows over a confidence vote for the new cabinet.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

June 30 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1208.42	1207.92	1207.76	1206.59	1207.62	1206.81	1206.44	1206.99
FT-SE Eurotrack 200	1263.92	1265.06	1263.58	1263.57	1265.35	1265.42	1265.57	1266.14

	Jun 29	Jun 28	Jun 25	Jun 24	Jun 23
FT-SE Eurotrack 100	1207.97	1210.15	1202.12	1199.58	1197.17
FT-SE Eurotrack 200	1263.58	1265.02	1254.87	1251.56	1249.23

Base value 1000 (26/10/90) Highday: 100 - 1208.99; 200 - 1270.88 Lowday: 100 - 1205.00 200 - 1262.86

ASIA PACIFIC

Australian golds ebullient as Japan remains subdued

Tokyo

SHARE prices moved within a narrow range on continued fears that the bribery scandal which shook the market on Tuesday could spread further, *writes Emiko Terazono in Tokyo.*

The Nikkei average finally rose marginally on investment trust support, closing 45.58 higher at 19,590.00 after a low of 19,433.99 and a high of 19,616.81. *Trading was dominated* by arbitrage-related selling, and buying by investment trusts and some overseas investors.

Volume remained subdued at 230m shares against 229m. Losers led gainers by 594 to 395, with 166 issues remaining unchanged.

The Topix index of all first section stocks lost 1.01 to 1,580.25 *and, in London, the* ISE/Nikkei 50 index rose 2.31 to 1,195.10.

Most investors remained on *the sidelines after* Tuesday's 1.7 per cent fall, which followed the arrests of general contractor executives and Mr Toru Ishii, mayor of Sendai in northern Japan, on allegations of bribery. Officials at Hazama, Shimizu, Nishimatsu Construction and Mitsui Construction were charged with giving a combined Y100m in bribes to Mr Ishii.

Shares of construction companies were sold heavily in the morning, but the sector ended mixed on buying by overseas investors and investment trusts. Nishimatsu fell Y20 to Y990 and Mitsui lost Y3 to Y502, but Shimizu ended up Y6 to Y826.

Rohm, a leading maker of integrated circuits, drew heavy buy orders at the start of the *session on reports that the* company had won a patent on flash memory chips, a next generation technology, in the US. The Tokyo Stock Exchange suspended trading to allow investors to confirm the news.

Large capital issues were slack on arbitrage selling. Nippon Steel, the most active issue of the day, fell Y3 to Y366, while Mitsubishi Heavy lost Y20 to Y710.

Brokers also lost ground on fears of lower profits due to the recent fall in market turnover. *Nomura Securities fell Y20 to* Y1,950 and Daiwa Securities lost Y20 to Y1,250.

Game makers were in favour among traders. Sega Enter*prises gained Y240 to Y10,000,* recovering the level for the first time since April, and Nintendo advanced Y100 to Y9,600. Konami, which also supplies liquid crystal displays for pachinko games, Japanese pinball *machines, rose Y220 to a new year's high of Y5,320 on a rise* in shipments.

In Osaka, the OSE average fell 113.89 *to 21,630.39 in vol*ume of 13.1m shares.

Roundup

EBULLIENCE in Australian golds conflicted with muted sentiment in Hong Kong and Singapore. Pakistan was closed at the start of a four-day holiday.

AUSTRALIA closed its finan*cial year with another lift from* gold stocks. Bullion traded at around US$380 an ounce in Sydney with brokers predicting that it would test the US$400 *level in the short term,* and the gold share index rose 54.2 to 1,928.3.

Most blue chips were also higher, led by strength in National Australia Bank as book-balancing dominated trade. *The All Ordinaries index* rose 19.6 to 1,738.1, while turnover rose from A$392m to A$407m.

Among gold stocks, Kidston rose 28 cents to A$2.40 and Placer 15 cents to A$3.10. National Australia Bank rose 10 cents to A$9.88 and Western *Mining 16 cents to A$5.80*

NEW ZEALAND edged up to a new 1993 high, thanks mostly to a four-cent gain in Fletcher Challenge to NZ$2.79. The NZSE-40 index rose 1.32 to 1,680.66 in healthy turnover of *NZ$40m with Fletcher Challenge* attracting some NZ$11.15m. Brokers said that they expected little tradeable news out of the budget, due tonight.

SEOUL saw institutional intervention in financial shares as the composite index rose 3.18 to 748.87 in turnover up from Won451.3bn to Won526.9bn.

The financial sub-index added 8.24 to 1020.95 and Kepco gained Won300 to Won17,600.

MANILA closed higher for *the third straight day, fuelled* by a technical rally and efforts by companies to improve their second quarter performance reports. The composite index ended another 8.63 higher at 1,577.41.

JAKARTA closed firmer in active trade, the JKSE index rising 1.51 to 360.35. PT Pan Brothers Tex, a major textile and garment producer, *recovered Rp25 to Rp1,725 after falling* Rp150 on Tuesday. The company said that rumours that it had serious bad debts, and that an insurance claim had failed were untrue.

TAIWAN dropped 1.8 per cent and breached the 4,000 support level, the weighted index closing 72.32 lower at 3,995.51. Turnover shrank from Tuesday's T$16.7bn to T$12.4bn *ahead of today's holiday.*

Petrobras climb drives Brazilian equities

By John Pitt

Among the world's emerging markets last week, *Brazil and Malaysia* featured with a respective gain and loss in US dollar terms, according to data supplied by the IFC.

Brazil remains one of the year's strongest performers, a fact mirrored by the Bovespa index which has shown a year-on-year rise of some 70 per cent.

Mr Eduardo Faria of Latin *American Securities in London* notes that investors have recently been taking positions on possible privatisation issues; while Petrobras, the oil group, has been particularly strong on rumours of price increases.

One of the market's most heavily traded companies, Petrobras has shown a year-on-year rise of some 174 per *cent in US dollar terms, with a* substantial percentage of that happening over the last month.

Mr Faria believes that the *market is now due for a period* of consolidation, with a *downside forecast of between 10-20* per cent.

"It will be healthy for the market to take a breather," he says. "The question is whether foreign investors will see this as an opportunity to come into Brazil."

Malaysia fell back last week on technical trading on margin calls in second line stocks. However, says Mr David Bates of Asia Equity, the underlying blue chip market held up well. The release of good economic data yesterday, showing a fall in inflation, should lift sentiment in the medium term, giving the government scope to reduce interest rates, he says.

EMERGING MARKETS: IFC WEEKLY INVESTABLE INDICES

Market	No. of stocks	Dollar terms: Jun 25 1993	% Change over week	% Change on Dec '92	Local currency terms: Jun 25 1993	% Change over week	% Change on Dec '92
Latin America							
Argentina	(10)	619.04	+0.2	+6.7	379,859.11	+0.2	+6.9
Brazil	(44)	193.70	+3.7	+54.9	13,818,264.7	+10.3	+562.6
Chile	(20)	404.15	+0.3	-3.4	656.02	+0.6	+2.3
Colombia[1]	(8)	383.77	-1.3	-9.7	534.52	-1.3	-12.6
Mexico	(59)	629.51	-0.2	-6.9	844.03	-0.4	-7.0
Venezuela[2]	(8)	584.96	+1.1	+12.6	1,188.75	+1.7	+27.3
East Asia							
South Korea[3]	(130)	103.08	-1.2	+5.0	106.74	-1.1	+6.9
Philippines	(11)	148.08	-1.5	+10.9	191.36	-1.1	+18.4
Taiwan, China[4]	(76)	89.05	+0.3	+20.7	87.39	+1.0	+25.3
South Asia							
India[5]	(61)	73.68	-0.9	-21.4	81.67	-0.9	-14.5
Indonesia[6]	(31)	80.71	+0.2	+37.5	91.46	+0.6	+39.1
Malaysia	(61)	195.23	-4.9	+19.4	186.26	-4.4	+18.0
Pakistan[7]	(8)	216.10	+3.3	+8.0	264.48	+3.4	+14.1
Thailand	(52)	246.37	0.0	+6.9	247.60	+0.7	+6.2
Euro/Mid East							
Greece	(17)	209.63	-0.3	+7.3	329.56	+1.0	+15.7
Jordan	(5)	162.46	-0.1	+39.1	232.94	+1.1	+40.5
Portugal	(16)	89.39	+0.2	+15.9	99.60	+1.7	+27.8
Turkey[8]	(31)	153.27	+2.0	+129.2	789.88	+4.5	+187.1

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are:(1)Feb 1 1991;(2)Jan 5 1990;(3)Jan 3 1992;(4)Jan 4 1991;(5)Nov 6 1992;(6)Sep 28 1990;(7)Mar 1 1991 ;(8) Aug 4 1989

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	TUESDAY JUNE 29 1993: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY JUNE 28 1993: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 1993 High	1993 Low	Year ago (approx)
Australia (68)	131.36	+0.2	129.49	88.93	115.56	130.51	+0.1	3.84	131.13	130.22	87.91	115.90	130.32	144.19	117.39	146.39
Austria (18)	148.15	+0.1	146.04	100.30	130.32	130.59	-0.2	1.48	148.06	147.03	99.26	130.86	130.84	150.96	131.16	173.47
Belgium (42)	146.06	+1.0	143.98	98.87	128.48	125.35	+0.5	4.57	144.67	143.67	96.96	127.86	124.69	156.76	131.19	145.18
Canada (108)	128.31	+0.2	126.48	86.86	112.86	118.97	-0.1	2.83	128.06	127.17	85.84	113.18	119.07	130.38	111.41	128.13
Denmark (33)	218.81	+0.9	215.69	148.13	192.48	193.66	+0.6	1.17	216.91	215.39	145.41	191.71	192.57	225.64	185.11	243.88
Finland (23)	91.18	+3.8	89.88	61.73	80.21	108.75	+3.0	1.12	87.81	87.20	58.87	77.61	105.61	100.92	65.50	78.40
France (97)	154.41	-0.2	152.21	104.53	135.82	138.12	-0.8	3.27	154.75	153.67	103.73	136.76	138.91	167.36	142.72	164.32
Germany (62)	110.09	+0.7	108.52	74.54	96.84	96.84	+0.2	2.19	109.37	108.60	73.32	96.66	96.66	117.10	101.59	126.47
Hong Kong (55)	287.08	-0.8	282.97	194.33	252.53	285.40	-0.8	3.30	289.46	287.44	194.04	255.85	287.88	301.61	218.82	258.38
Ireland (15)	162.75	+2.0	160.43	110.18	143.16	159.03	+1.5	3.39	159.54	158.42	106.95	141.00	156.65	170.40	129.28	159.33
Italy (72)	67.80	+0.1	66.83	45.90	59.64	77.82	-0.7	2.01	67.75	67.28	45.41	59.88	78.35	72.82	53.78	69.25
Japan (470)	146.30	-2.2	144.21	99.04	128.71	99.04	-1.3	0.84	149.66	148.61	100.32	132.29	100.32	155.96	100.75	98.23
Malaysia (69)	326.02	+0.0	321.38	220.70	286.78	323.76	-0.2	2.08	326.00	323.73	218.53	288.12	324.49	349.34	251.66	239.36
Mexico (18)	1514.08	+1.3	1492.53	1025.03	1331.89	5164.06	+1.4	1.31	1494.03	1483.61	1001.54	1320.46	5093.23	1725.81	1410.30	1387.45
Netherland (24)	166.92	+0.0	164.54	113.00	146.83	144.63	-0.3	3.80	166.83	165.67	111.84	147.46	145.09	172.75	150.39	162.84
New Zealand (13)	50.10	+0.9	49.39	33.92	44.07	49.49	+0.7	4.51	49.64	49.29	33.28	43.88	49.13	50.10	40.56	46.08
Norway (22)	152.73	+0.2	150.56	103.40	134.36	148.27	-0.2	1.78	152.42	151.36	102.18	134.71	148.64	166.21	137.71	173.50
Singapore (38)	250.30	+1.2	246.74	169.46	220.18	187.15	+1.2	1.84	247.29	245.56	165.77	218.56	184.95	262.72	207.04	222.37
South Africa (60)	196.88	-0.6	194.08	133.28	173.19	203.11	-0.5	2.48	198.09	196.71	132.79	175.07	204.14	201.01	144.72	221.27
Spain (46)	125.42	+0.5	123.63	84.91	110.33	122.71	-0.4	4.80	124.76	123.89	83.64	110.26	123.20	132.82	115.23	151.65
Sweden (36)	166.90	+0.9	164.52	112.99	146.82	191.73	-0.4	1.76	165.41	164.26	110.89	146.20	192.41	184.06	149.70	193.78
Switzerland (51)	128.00	+0.4	126.18	86.66	112.61	119.11	+0.1	1.83	127.52	126.63	85.49	112.72	119.02	129.36	108.91	111.23
United Kingdom (219)	176.40	+0.4	173.89	119.41	155.16	173.89	-0.3	4.00	175.69	174.47	117.76	155.27	174.47	181.99	162.00	192.20
USA (519)	184.38	-0.2	181.76	124.83	162.20	184.38	-0.2	2.78	184.81	183.52	123.89	163.34	184.81	186.27	175.38	166.33
Europe (760)	144.43	+0.4	142.39	97.78	127.06	138.80	-0.2	3.28	143.88	142.88	96.46	127.17	138.89	149.02	133.92	154.12
Nordic (114)	159.97	+1.2	157.69	108.30	140.72	161.12	+0.2	1.54	158.14	157.03	106.01	139.77	160.74	171.77	142.13	180.08
Pacific Basin (713)	149.83	-2.0	147.69	101.43	131.80	105.56	-1.2	1.11	152.89	151.83	102.50	135.13	106.79	159.07	105.89	103.40
Euro-Pacific (1473)	147.50	-1.1	145.40	99.85	129.75	118.41	-0.8	1.97	149.08	148.04	99.93	131.76	119.34	154.05	117.26	123.89
North America (627)	180.89	-0.2	178.32	122.48	159.15	179.93	-0.2	2.78	181.27	180.01	121.53	160.24	180.33	182.38	171.51	163.80
Europe Ex. UK (541)	124.68	+0.4	122.91	84.43	109.70	115.33	-0.1	2.75	124.23	123.36	83.29	109.82	115.48	128.65	112.51	131.16
Pacific Ex. Japan (243)	184.96	-0.2	182.32	125.23	162.72	171.85	-0.2	3.20	185.25	183.96	124.20	163.75	172.19	194.08	152.70	173.74
World Ex. US (1659)	148.19	-1.0	146.08	100.33	130.36	120.60	-0.7	2.00	149.88	148.64	100.35	132.30	121.49	154.27	118.51	125.81
World Ex. UK (1959)	157.66	-0.8	155.42	106.74	138.71	138.89	-0.6	2.12	158.96	157.85	106.57	140.51	137.67	161.34	134.22	133.47
World Ex. So. Af. (2118)	159.17	-0.7	156.91	107.77	140.03	139.74	-0.5	2.30	160.30	159.18	107.47	141.69	140.50	162.74	137.29	138.00
World Ex. Japan (1708)	168.09	+0.0	165.70	113.81	147.89	163.59	-0.2	2.95	168.10	166.93	112.70	148.59	163.93	170.05	157.47	162.07
The World Index (2178)	159.32	-0.7	157.06	107.87	140.16	140.27	-0.5	2.30	160.45	159.33	107.56	141.82	141.04	162.86	137.32	138.52

Constituent changes with effect from 1/7/93: Deletion: Zurich Insurance (P.C.) (Switzerland). Latest prices were unavailable for this edition.